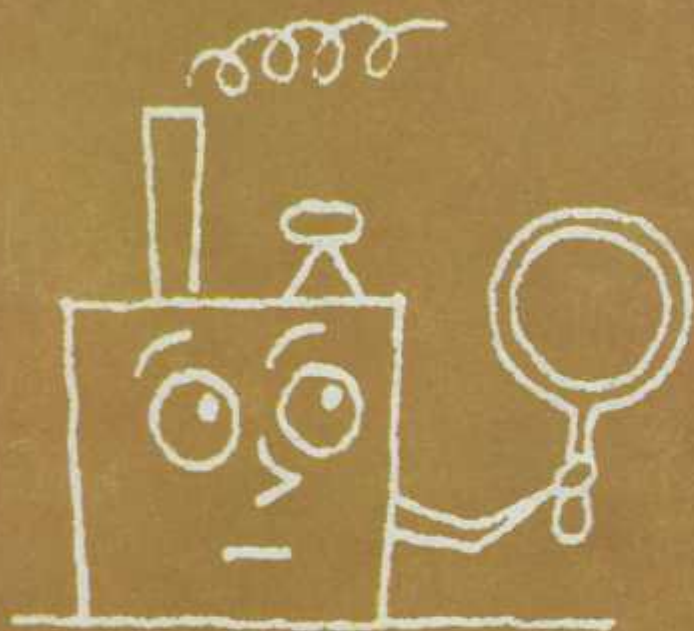


Nation's Business

A USEFUL LOOK AHEAD

FILE COPY
Do not remove

JUNE 1956



▶ *your firm's
personality
tells its
future*

PAGE 84

Labor moves in on Washington PAGE 94

Purchasing power in 1965 PAGE 36

Study shows executive pay trend PAGE 38

Inventories: major boom or bust factor PAGE 34

Make more money in your business

Ask the men **WHO KNOW!**

The George S. May Company . . . by every measurement the world's largest organization of its kind dealing exclusively with problems of business . . . has the know-how and the men who know how to solve problems in your business. During the past 31 years, George S. May service has been immediately productive for top management in companies suffering from rising costs, contracting markets, improper organization or outmoded methods. Without cost or obligation, one of our qualified representatives will call on you and show you how you can take advantage of the world's largest accumulation of business experience. But **ACT NOW!** Tomorrow may be too late.



George S. May Company

Cable Address: GEOSMA, Chicago

CHICAGO 8, Engineering Building
Financial 6-3450

NEW YORK 17, 122 East 42nd Street
OXford 7-3800

SAN FRANCISCO 2, 291 Geary Street
RAylfield 1-5244

CANADA, 1178 Phillips Place, Montreal
(U)niversity 6-0102

GERMANY, GEORGE S. MAY INTERNATIONAL, G.M.B.H.

Düsseldorf, Altenstrasse 35, Telefon 80328



This "salesman" landed \$1821 worth of orders

The Company: Anchor Plastics Company, Long Island City, N. Y., manufacturers of custom extrusions. The facts: telephone calls costing \$14.85 produced \$1821 in orders in just one month.

"Telephone calls are extremely important to us," writes an Anchor Plastics executive. "They enable us to straighten out engineering problems with out-of-town customers in a few minutes which would take days or weeks any other way. This creates a lot of good will, and it enables us to obtain orders which we might not get otherwise."

Are you using *your* telephone effectively? Hundreds of firms, large and small, have found that the *planned* use of the telephone means greater profits. We have some specific suggestions that may prove helpful in your business. Just call your Bell Telephone business office.

BELL TELEPHONE SYSTEM



LONG DISTANCE RATES ARE LOW

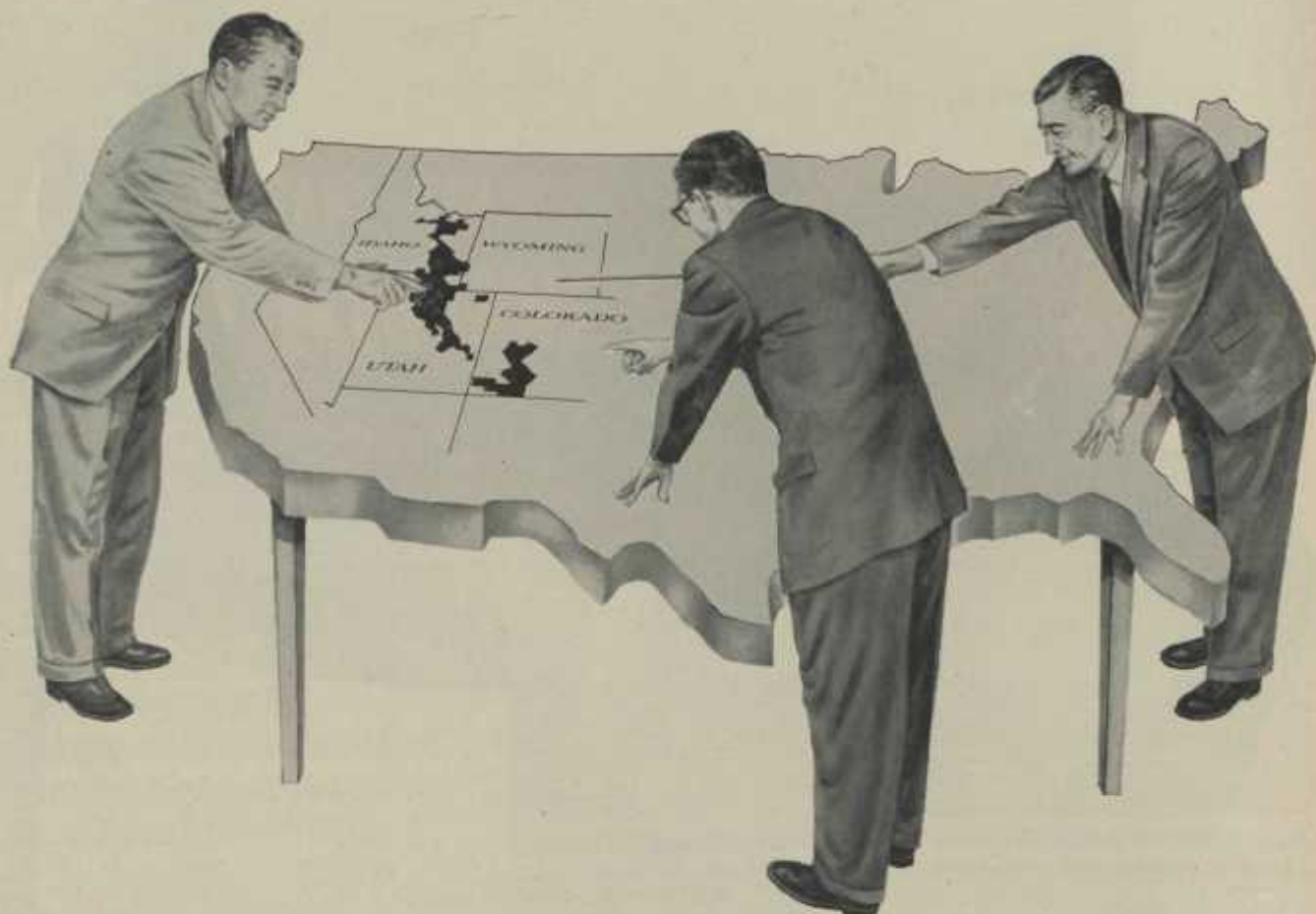
Here are some examples:

New York to Philadelphia . . .	50¢
Cleveland to Indianapolis . . .	90¢
Chicago to Pittsburgh	\$1.15
Boston to Detroit	\$1.40
Washington, D. C., to San Francisco	\$2.00

These are the daytime Station-to-Station rates for the first three minutes. They do not include the 10% federal excise tax.

Call by Number.
It's Twice as Fast.

USE MINERALS OR CHEMICALS?



You Can Pin-Point Rich Sources of Supply in This "Treasure Chest" Land

What started out as chiefly a prime source of coal and nonferrous metals is now known to be one of earth's greatest storehouses of practically every element in the atomic scale.

Huge deposits of iron, uranium, thorium, potash and raw chemicals of virtually every kind occur in the vast Utah, Idaho, Colorado and Wyoming area served by Utah Power & Light Co.

This area's potentialities are well worth study by industries seeking larger opportunity in America's growing economy.

ASK FOR COPY OF "A Treasure Chest in the Growing West." Detailed information is presented in this Area Resource Brochure. Write, wire or telephone for a copy. Inquiries held in strict confidence. Address: W. A. Huckins, Manager, Business Development Department, Dept. 25, Utah Power & Light Co., Salt Lake City 10, Utah.



- Every major basic raw chemical.
- 60% of U.S.A. phosphate reserves.
- 214 different minerals.
- One-third of nation's copper.
- Largest proved uranium reserves in the nation.
- Greatest concentration of non-ferrous metal mills, smelters, refineries in U.S.A.
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- Low-cost power, water, fuel.
- Intelligent and stable labor force.
- Sound diversified economy.
- Healthful climate with low humidity.
- A gateway to the rich, far west market where America is growing fastest.
- Plus . . . plenty of "elbow room".

UTAH POWER & LIGHT CO.

A Growing Company in a Growing West

Nation's Business

JUNE 1956 VOL. 44 NO. 6

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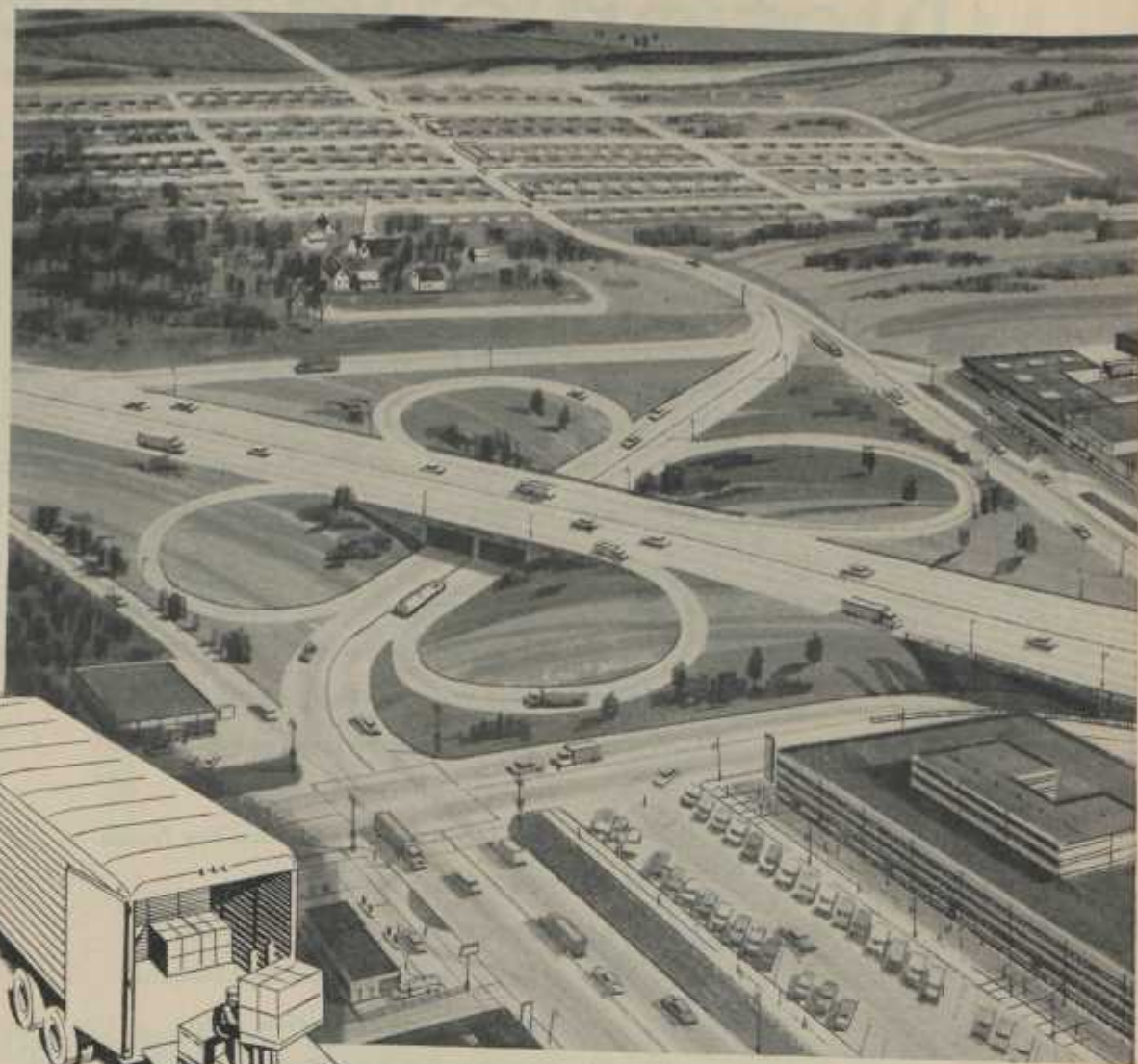
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TRUCKS ... And Tomorrow ... And You!

Your life is blessed by trucks in many ways—and not the least of the good things they bring you is the freedom to live or do business *anywhere* under the sun—so long as there's a road by your door!

And man—America is really moving out into the suburbs as a result!

In the next 20 years, the U.S. Census Bureau forecasts a population boost of more than 63 million people! And 80% of this booming population growth will take place in suburban U.S.A.!

Naturally, it just wouldn't be possible without trucks. They provide the only transportation flexible enough to serve the shopping center in the valley, the house on the hill, the manufacturing plant off Highway 11—and do it just like downtown.

The trucking industry welcomes the challenge of an America on the move—on the move as it has never been before. Constantly adding new and better equipment, improving driver selection and training, and perfecting its fine safety record, the trucking industry is gearing itself to be well ahead of the growing demands which will be made upon it in the years ahead.

Like all public transportation in this country, trucking owes much of its progress to intelligent, time-tested and just regulation.

Your own interest—and the public interest—both call for sharp and vigorous protest by you against proposals to neutralize or destroy public controls over transportation . . . proposals now being made in the name of "improved competition."



AMERICAN TRUCKING INDUSTRY

AMERICAN TRUCKING ASSOCIATIONS, INC., WASHINGTON 6, D. C.

If You've Got It . . . A Truck Brought It!



what's the "99"
doing here?

Brokerage offices use the 99 Calculator to tote up the day's trading and figure their commissions. Its great speed and never failing accuracy make it a "natural" to back up stock market transactions.

Customers as well as brokers rely on the Remington Calculator. It's fully automatic, has

touch method operation and it prints too! That's why so many "blue chips" use the 99 Calculator for cost accounting...inventories... payrolls and all business mathematics.

Remington Rand

DIVISION OF SPERRY RAND CORPORATION



History is written on water

Great civilizations of the past — Egypt, Persia, Babylonia — waned when their water sources dwindled.

It could happen to us . . . if we let it.

Today, for example, America's thirst for water is beginning to outrun its supply. Industry and homes use more and more water . . . billions of gallons daily.

Yet average annual rainfall

does not increase. And erosion of moisture-holding soil continues. What can you do?

Several things: encourage your water officials to plan in advance for necessary water facilities. Support realistic water rates and bond issues designed to increase your supply. And conserve where you can.

The hour is late . . . but not past if you will do your part.

SERVES THE CENTURIES

America's population, productive capacity and national prosperity keep growing.

In more than 64 American cities this upward economic trend is encouraged by an adequate water supply and the cast iron water mains that have carried it so efficiently for a century or more.

Cast iron's longevity and reliability mean continuing, economical service . . . tax dollars saved that can be used to improve service still further.

Rely on Cast Iron Pipe to carry America's Water



Sacramento, Cal. installed this cast iron water main over 100 years ago. It is still doing the job. Yet today's cast iron pipe, modernized and centrifugally cast, is even stronger, more durable.

Longer Lasting Gas Mains



Providence Gas Company laid this cast iron gas main more than 100 years ago. It's still serving.

For more than a century many American utilities have used cast iron gas mains. They have paid for themselves many times over. Cast Iron Pipe Research Association, Thos. F. Wolfe, Managing Director, 122 So. Michigan Avenue Chicago 3.

CAST IRON PIPE

CAST  IRON

management's WASHINGTON LETTER

► CONGRESS IS RACING toward adjournment. Lawmaking momentum will quicken in coming month.

Feeling in Washington now is that Eighty-fourth Congress will adjourn late in July.

Lawmakers want time to get ready for presidential nominating conventions.

Democrats meet in Chicago Aug. 13; Republicans, San Francisco Aug. 20.

Point to watch:

Election year pressure to adjourn may produce surprising legislative results.

There'll be compromises on some measures. Others once considered vital may be dropped.

Few major bills have seen final action. This means congressmen will go into night sessions, week-end meetings.

► HERE'S OUTLOOK ON MAJOR BILLS as adjournment approaches:

Welfare and pension funds: Legislation requiring public disclosure of financial operations may not get through before Eighty-fourth Congress quits.

Highways: Some federal aid will be authorized, details uncertain. It's expected that gas, user taxes will be increased.

Public housing: Some expenditure will be authorized, amount undecided.

Foreign aid: Some will be approved; how much and for what period is still big question mark.

Postal rates: There are strong pressures to raise rates but there's little likelihood of passage because of election considerations.

Farm bill: Soil bank idea probably will pass, flexible price supports are expected to be retained.

Social security: Expansion of coverage assured; disability payments, lower retirement age for women in doubt.

School aid: Prospects a tossup.

Action this year is not expected on extension of minimum wage coverage, disaster insurance, aid to depressed areas.

► BIG BUDGET SURPLUS? Watch June spending spurt. It'll decide surplus size.

Agencies are speeding payment of bills outstanding before fiscal year ends.

And they're calling on contractors to get their bills in fast.

Surplus background is this:

Administration predicted '56 fiscal year would end with balanced budget, \$230,000,000 left over.

Other surplus estimates--based on government economy, higher revenues--ranged up to \$2,000,000,000.

Now government is speeding spending.

Therefore: While government revenue will be higher than Administration predicted, so will outlays.

► LOOKING TOWARD SECOND HALF, business prospects are good.

That's consensus of economists, business forecasters, industry leaders.

While there are some soft spots in the economy--notably housing starts and auto sales--other factors shore up belief that '56 will equal or exceed last year's record performance.

Strong points are these:

Manufacturers' orders, sales are running higher than same time last year.

Government spending is likely to rise through rest of year.

Spending for plant expansion, new equipment is running at highest level ever.

Note: 42 per cent of businessmen in recent poll expect sales of their lines to rise in coming six months. Only four per cent anticipate decrease.

► PRESSURE FOR FEDERAL AID to colleges shapes up as prospect for years ahead.

Nation must be aroused to dangers of crisis that's coming, says official.

Problem is foreseeable.

Graph shows number of college-age youths:

15,100,000 in '56

20,000,000 in '65

28,000,000 in '75

What's being done to get ready for college bulge that's sure to come? See page 56 for special survey details.

► WHAT DRAWS PEOPLE to your store?

New study indicates quality, type of

merchandise are biggest consumer attractions, accounting for patronage of 47 per cent of customers questioned.

Other reasons: Location and accessibility of store, 14 per cent; price, 14 per cent; store service and special services, 8 per cent.

Atmosphere, appearance and reputation, 7 per cent; personnel, 6 per cent; other reasons, 4 per cent.

Five most popular services--in field of 36--are regular charge accounts, free delivery, parking lot, service for paying utility bills, free gift wrapping.

►AMERICANS WHO FALL BEHIND on home payments make up only 2.24 per cent of the total now paying on 2,302,500 loans.

That's down from 2.32 per cent two years ago when there were nearly 600,000 fewer loans outstanding.

Compared to a year ago the ratio is .19 per cent higher.

Survey by Mortgage Bankers Association shows industrial Midwest leads nation in collection achievements.

There, low delinquency ratio of 1.73 per cent is shown.

►HOURS OF OPERATION SHOW commercial airlines are twice as efficient as military airline in manpower use.

Three U. S. international airlines average 24.8 transport hours per employee. Best of three: 47 hours.

Air Force passenger and cargo operations average 11.4 flying hours per person in transport service.

Six commercial airlines in international cargo field average 26,200 ton-miles per employee. Best of six: 51,200 ton-miles.

Government's average: 16,000.

For revealing information on giant government airline see page 29.

►YOUR RIGHTS UNDER TAFT-HARTLEY are further clarified by Supreme Court in four decisions:

1. You may have to let union look at your books when you plead inability to pay higher wages--if denial indicates lack of good faith. (Truitt Manufacturing)

2. You cannot refuse to bargain over employee stock purchase plan. (Richfield Oil)

3. You can deny organizers access to

plant parking lot to distribute union leaflets--unless union has no other way of contacting employees. (Babcock & Wilcox)

4. You cannot use state injunction to ban peaceful picketing for recognition, even though union is not in compliance with Taft-Hartley. (Arkansas Oak Flooring)

Court also has upheld legality of railroad union shop contracts in 18 states which ban compulsory unionism.

Put off until fall: Decision on union political spending.

►IF STEEL STRIKE COMES it will likely shut down all producers dealing with the AFL-CIO Steelworkers' Union.

Departing from custom, major steel companies countered union strike notices with notices of their own terminating steel labor agreements on July 1.

Thus, all producers involved in current steel negotiations are free to stop operations if the union strikes only one company in attempt to divide and conquer.

►GOING CAMPING? You'll find state parks attracting larger numbers of vacationers this summer.

One reason is state park overnight capacity, calculated at almost 200,000. Tent, trailer campsites show largest increase.

North and West lead in camp sites, with South also increasing facilities.

Since '50, state park areas have increased from 1,725 to 2,030 with acreage now above 5,000,000.

Overnight capacity is up 32 per cent, says American Automobile Association, which lists states that lead in park acreage:

New York, 2,600,000 acres; California, 560,000; Maine, 200,000; Michigan, 177,000; Pennsylvania, 150,000.

►IS YOUR FIRM GUILTY of executive featherbedding?

Management research group has studied problem in 23,000 companies, says 9 out of 10 firms pay at least one executive for unnecessary work or no work at all.

Typical examples:

Executives kept on payroll after merger eliminates their function.

Engineers hoarded simply to keep com-

management's WASHINGTON LETTER

petitors from using their skills.

Nepotism.

Make-work jobs for men who can't get along in their present departments.

►**YOU'LL SEE POLITICAL SPENDING** this year estimated from \$40,000,000 to \$150,000,000. Guesses range wildly because nobody really knows what was spent in past election years.

Good guesses, however, are these:

\$50,000,000 in '48; \$80,000,000 in '52; up to \$100,000,000 estimated for '56, as revealed in larger outlays by campaign committees, labor, other groups.

About \$23,000,000 was reported to Congress in '52. That includes only reports required by law.

Proposal before Congress would raise ceiling from \$3,000,000 to \$12,000,000 for each national committee; from \$25,000 to \$250,000 for senatorial candidate; from \$5,000 to \$25,000 for House candidate. Final action effective in '56 is unlikely.

►**MAKERS OF POLITICAL NOVELTIES** look for business to be good this presidential election year.

Some big orders already have been placed. Most of these have come from Republicans, who feel assured of Eisenhower-Nixon slate.

Estimates of how much parties, citizen groups, others will spend for lapel pins, bumper strips, etc., range from \$1,000,000 to \$5,000,000.

About \$100,000 will be spent on giveaway items alone.

More than 250 companies are in political novelty field. They make buttons, pins, decals, costume jewelry, ties, emblems, other articles carrying political messages.

►**LONG-RANGE WEATHER FORECAST.** A cool summer is shaping up for most of country --compared with last year.

That's view of Prof. Hurd C. Willett, meteorologist at Massachusetts Institute of Technology.

Cooler weather will be most noticeable, he says, in northeast and north central regions, which sweltered in 1955.

Temperatures should be about normal in northeast, little below normal in north central area and in Gulf Coast

states, about normal in other regions.

Another encouraging Willett forecast:

Hurricanes, which tormented East Coast in '54 and '55, appear less likely to strike this year.

►**SIGN OF SOVIET THAW** in Washington:

Russian Embassy permits personnel to appear in public at unexpected places.

Example: Public relations employee attended seventy-fifth birthday luncheon for business reporter Paul Wooton, one-time writer for Nation's Business.

►**LOOKING FOR A GOOD SPEAKER** for your next convention?

Recent publication of the Trade and Professional Associations Department of U. S. Chamber will help you find one.

Publication called "Speakers List" gives names, addresses of more than 400 speakers recommended by trade and professional association executives.

Ten general subject areas are covered, including business and economics, world affairs, sales promotion, industrial relations. Price per copy is 50 cents.

►**TERMINATION OF BUSINESS** ownership outstrips farm ownership terminations.

Study shows business ownerships terminate at average annual rate of 167 per 1,000 business firms.

Average of 50 farm ownerships per 1,000 terminate annually.

Note: Average earnings per farm have tripled since 1939.

Gross income then was \$10,600,000,000. Now it's \$32,600,000,000.

►**BRIEFS:** Families with teen-age children are more than twice as likely to buy new or used car as families with no children, University of Michigan Survey Research Center data shows. . . .

World's labor force now totals approximately 1,000,000,000 persons, 41 per cent of total world's population. . . .

Reason for engineer shortage: Carnegie Institute of Technology study of 18,000 science and engineer graduates shows majority are in higher echelons of administration and management. . . .

Capitol dome in Washington is getting new paint. It's brightened up each four years just before presidential inauguration year.

Phoenix INSURANCE TIPS



You Gain Either Way!

A New Single Policy For Merchants, Retailers and Wholesalers:

Either you receive substantial savings over separate policies or much broader protection when you wrap up your many types of insurance on your merchandise and equipment in this single Package Policy. This new policy combines fire, extended coverage, burglary, water damage, transportation and other perils to which your merchandise is exposed. To find out which way *you* gain, ask your local agent representing one of the Phoenix of Hartford Companies.

WHEN YOU BUY INSURANCE BUY INTEGRITY



Phoenix

OF HARTFORD INSURANCE COMPANIES

All forms of Insurance except Life

The Phoenix Insurance Company
The Connecticut Fire Insurance Company
Equitable Fire & Marine Insurance Company
Minneapolis Fire & Marine Insurance Company
Reliance Insurance Company of Canada
Executive Office: Hartford 15, Connecticut

Letters from businessmen

Impressed

I just finished reading the article "How To Delegate Authority" in the May issue and was very impressed with it. Would appreciate your sending ten reprints so that I could distribute them to the key personnel in this division.

JOSEPH MULLEN, JR.,
Plant Food Division
Mathieson Chemical Corp.,
Little Rock, Ark.

►And 263 other requests for 3,892 copies

A helpful approach . . .

I believe you now have an approach not covered by any of the other numerous business magazines in the field.

I have found three of your articles particularly interesting and have enclosed a purchase order for enough reprints to supply our departmental executives.

RONALD A. MALONY, Pres.,
The Bridgeport Gas Company
Bridgeport, Conn.

. . . He liked this one . . .

Please send us 100 copies of "You Can Grow Your Own Executives."

BRUCE MORSE,
Detroit Harvester Company
Detroit, Mich.

. . . The other two

I particularly enjoyed your April issue. Please send me a reprint of "How To Make A Business Decision," and "Ten Steps To Help You Sell."

R. K. HEIST, Vice Pres.,
Liberty Mutual Insurance Co.,
Pittsburgh, Pa.

►All three articles have brought 1,936 requests for 43,448 reprints.

Truckers' problem

I must take exception to your article in the April issue ("Spreading Regulation Threatens Competition") wherein you state that a common carrier cannot compete with shipper-owned trucks. It is not because of government regulations, it is simply because our costs are higher.

Our biggest cost is labor which accounts for approximately 50 to 55 per cent of gross business. A goodly portion of the drivers of shipper-owned trucks are not covered by any Teamster contract. Those that are usually obtain a more favorable one than common carriers have.

A cost which the shipper-owned trucks do not have to bear is the expense of advertising and solicitation. A conservative estimate would place the cost of securing business at approximately ten per cent of the trucker's gross business.

Truckmen must keep extra equipment on hand at all times to meet the needs of their accounts. Much of it is idle most of the time but the insurance costs, garaging and depreciation go merrily on. The shipper, on the other hand, can use the minimum amount of rolling equipment, and call on the carriers to handle the overflow. The carriers, of course, are not given the truckload shipments, but the LTL shipments that are costly for the shipper to serve with his own trucks.

All we truckmen have to sell is service and we do our utmost to serve the shipper and the public.

JOHN T. BELBEY
Belbey Transfer Co.,
Harrison, N.J.

Dime extractor

The writer has just completed your article "Three Year Study Shows How Managers Are Made," [March] and was gratified to see this tremendous project moving under a full head of steam at last.

The impression left with the writer is such that, enclosed, please find a dime for one copy of the article.

A. C. NOEHL,
Controls Corporation of America
Milwaukee, Wis.

►28,493 more reprints sent in response to 1,359 other requests.

Most sensible

I wish to commend you for your article "Slow Traffic Laws Waste Fast Roads," in the April issue. It is the most sensible approach to the growing problem of traffic control laws I have ever read, and certainly should be required reading for every state legislator and city or town councilman in this country.

WILLIAM B. DRAKE
Cook & Drake
Glenwood, Iowa

Short but essential

I note on page 38 of your April number a good and lengthy article on "How To Make A Business Decision." What has been most helpful in my making business and other decisions has been the simple state-



Russell C. Westover, Jr., President of Ray Oil Burner Company, tells the secret of

"How to make hay without sunshine!"

"Make hay at midnight or in a rainstorm? Sure—why not?

"Modern farmers have found a way. They cure it a few minutes after cutting—in big dehydrating plants!

"But there's one catch. Profits could disappear in a hurry if the fires go out. That's why they use Ray Oil Burners.

"And that's why Ray uses Air Express!

"In addition to his own stock, any Ray dealer in the country can draw on our 'super stockroom' of 40,000 different parts. It's only a few hours away by Air Express!

"It has helped build our reputation for fast service. And it saves money! 10 lbs. from San Francisco to Portland, Ore., costs \$3.78 by Air Express. That's \$1.37 less than the next lowest-priced complete, door-to-door air service."



Air Express



GETS THERE FIRST via U.S. Scheduled Airlines

CALL AIR EXPRESS . . . division of RAILWAY EXPRESS AGENCY

TEASE

One teasing peek at this Burroughs Ten Key adding machine—and you'll just *know* it's the machine for you. In your choice of Sea Mist Green, Capri Coral, Alpine Blue, Amber Gray.



SEES

One gloating look . . . one flying fingers test of that snowflake-touch keyboard . . . and you just gotta *have* this Ten Key! Quiet as a snoozing kitten. F-a-s-t, too. Instant minus balances.



PLEASE

Engineered to *please* with year after year dependability . . . the Burroughs Ten Key is a cost-cutter *plus*—the way it masters kingsize work loads. Quickly pays for itself!



Burroughs Ten Key
Adding Machine



Our local branch or dealer is listed in the Yellow Pages. Burroughs Corporation, Detroit 32.

ment that I quote. Gustavus A. Swift, founder of Swift & Company, asked my father to investigate the Sioux City Stock Yards. Then he called on my father and said:

"Feed me the facts, King."

First get the facts—all the pertinent facts—then digest them and only then, action.

DELCEVARE KING,
Quincy, Mass.

Oregon's law

When discussing the Model Injury Law in your May issue you describe Oregon as having a completely monopolistic state fund. It is possible in this state for an employer to reject the Oregon Workmen's Compensation Act. We are currently providing voluntary compensation and employers' liability for a great number of employers, the total premium for which approaches \$1,500,000. A number of other private carriers are providing this coverage in lesser amounts, and there are a number of employers who are self-insured.

While the Oregon Compensation Act leaves much to be desired when compared with many other states, it does provide competition for the state fund, which is very healthy. As an example, the state fund had no accident prevention program in 1941 when we entered the state and today we have a program approaching adequate.

A. M. SCHOENFELDT,
Branch Manager,
Employers Mutual of Wisconsin
Portland, Ore.

Nation's Business reference was intended to apply only to the insuring of statutory workmen's compensation.

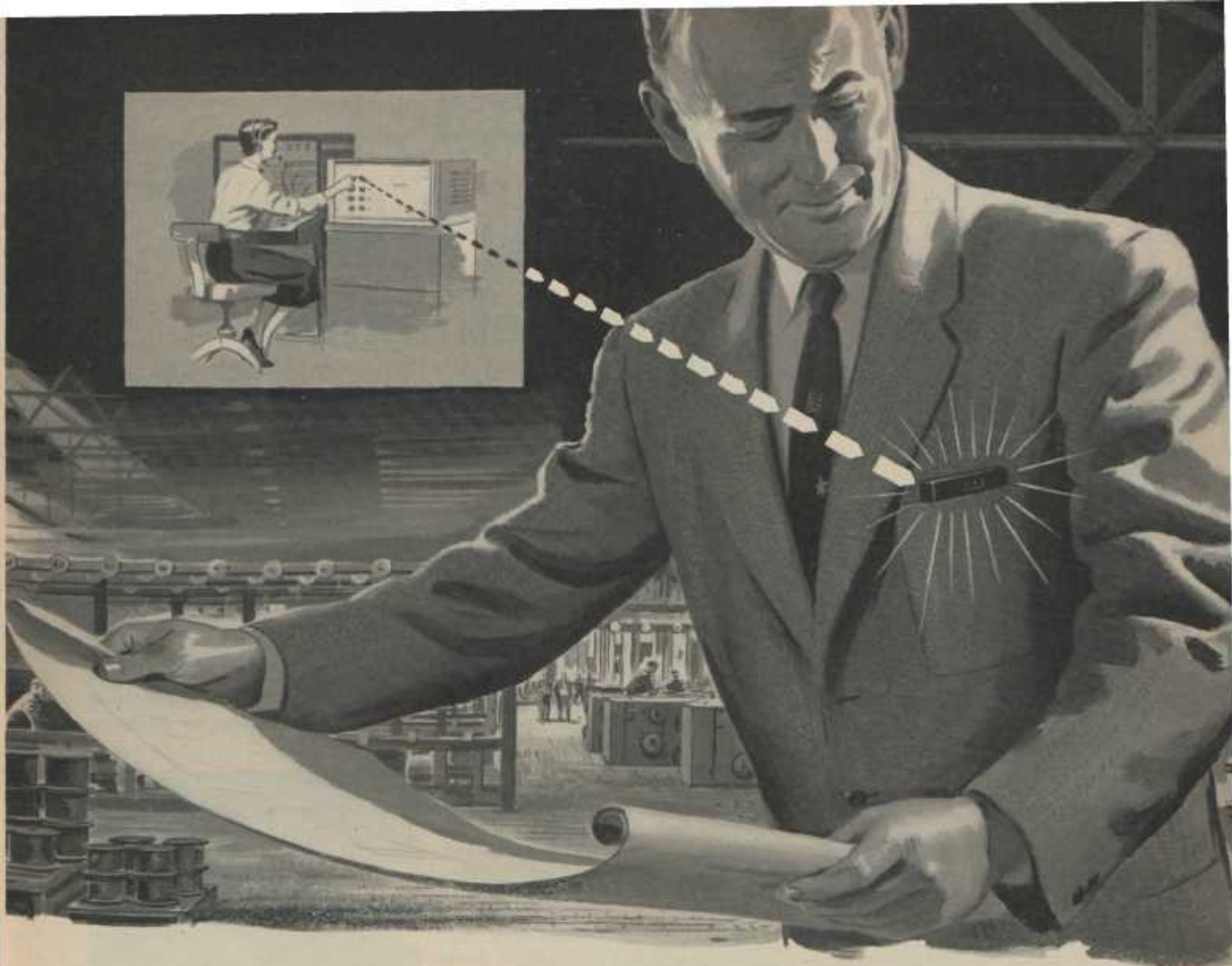
\$30,000,000 overseas

Your article "400 U. S. Firms Help Britain Meet Crisis" in your March issue was excellent. Our only regret was that Pfizer was not included in it.

Pfizer, which has been doing business in England for a number of years, only last year opened a new fermentation plant in Sandwich, England, which is one of the largest in Europe for the manufacture of antibiotics, such as Terramycin. Capital invested in the project totaled several million dollars. The company's operations in England now employ more than 500 people.

Over the past five years Pfizer has invested more than \$30,000,000 in plants and facilities in England, France, Belgium, the Philippines, Japan, Brazil, Colombia, Panama and several other countries. About a third of the company's total 1955 sales of \$164,000,000 were in foreign markets.

G. H. WEILER,
Chas. Pfizer & Co., Inc.,
Brooklyn, N.Y.



Ever hear your coat pocket call you?

It could happen—and you'd not be startled, but gratified.

Take a busy man like yourself—apt to be away from your desk dozens of times a day. Somebody wants you, and quickly! What's the fastest, easiest way to locate you?

Your secretary *can* go on a dead run through the building. The switchboard operator *can* ring every 'phone and ask if you're there. But, in this modern age, there must be a more streamlined method.

We have the perfect answer in our PAGEMASTER® signaling system. In your coat or shirt pocket is a miniature unit about the size of a pack of king-size cigarettes. Next to your telephone

operator's switchboard is the small PAGEMASTER signal transmitter. If you're wanted, the operator puts your code call "on the air." Wherever you are, when your personal signal unit gets *your* frequency, and yours alone, it buzzes gently and pleasantly, telling you to pick up the nearest telephone and call the operator.

Industry is only one application. Hospitals, public auditoriums, construction projects are others. And you can visualize the value of this PAGEMASTER signaling system, on a city-wide basis and in matters of Civil Defense.

An interesting booklet tells the PAGEMASTER signaling system story. Would you like one? *"There is nothing finer than a Stromberg-Carlson"*

STROMBERG-CARLSON COMPANY

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The big boom is in the campus-type training of managers. An almost negligible activity before World War II, campus training has been growing in the past few years. Here's a measure of its growth: AMA conducted 284 seminars for executives in 1955, has more than 400 planned this year, with an enrollment of 1,600 anticipated for the courses and seminars it will conduct in July and August at Colgate University in Hamilton, N. Y.

No one knows exactly how much American business will spend—overall—to improve the abilities of its managers through intensive training in courses and seminars this year, but an idea of the cost to industry per student for such training can be had by reading the American Management Association's new and unique "Guide to Short Term Courses and Seminars for Manage-



ment," which will be mailed free to any businessman who requests one by writing, on his business stationery, to Management Information Service, American Management Association, 1515 Broadway, New York 36, N. Y.

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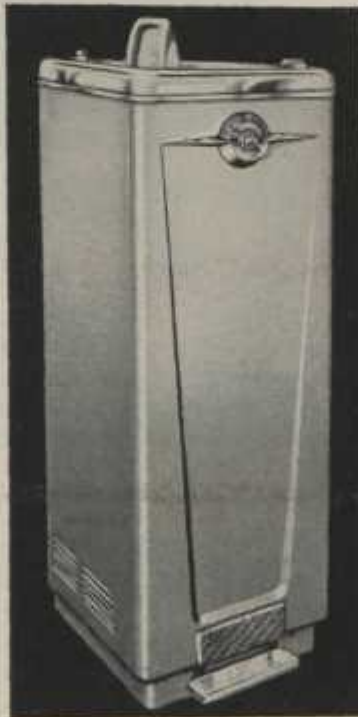
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The AMA charges \$750 for its four-week management courses.

Briefer conferences, such as the five-day John Gaillard Private Seminar on Industrial Standardization, held in New York in June, cost appreciably less, with the average fee running to about \$120.

Most of the courses listed in AMA's guide book fall under the heading of "management development courses." According to AMA President Lawrence A. Appley, this points up the increasing importance which forward-looking firms attach to giving their top personnel scientific training for their jobs.

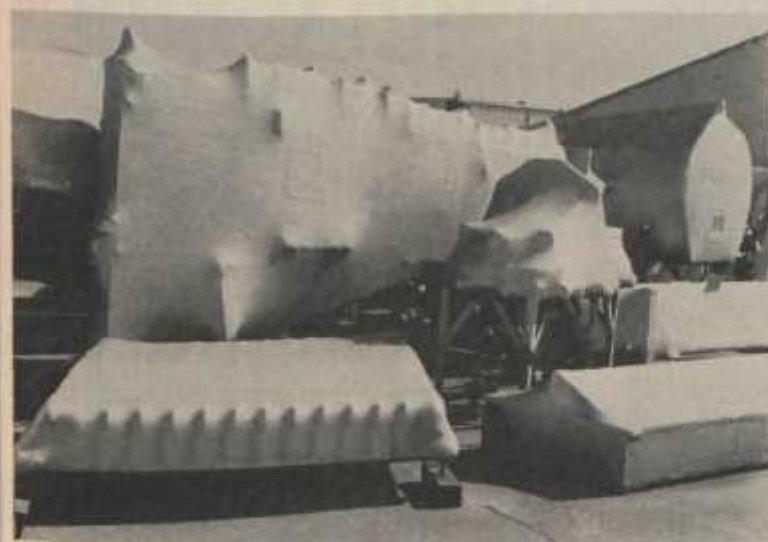
"A modern company cannot expect to survive and prosper if it regards management responsibility as something less than a science," says Mr. Appley. "More and more companies are coming to realize that the good manager is not produced by osmosis but only through a conscious and organized effort to impart knowledge, skills, attitudes and inspiration."

A recent survey by AMA showed that 54 per cent of the companies contacted have some systematic plan, program or method to facilitate the development of people in or for management jobs. An additional 21 per cent of the responding companies, while without formal programs, have designated members of their organization to guide or promote management development.

The typical summer course for managers is not a skylark session. In almost every instance the sponsors have tried to cram the maximum amount of learning into the shortest period of time away from the job.

"At the same time we don't mean to imply that it's nothing but a grind," comments a spokesman for AMA. "The suburban and even rural setting of some courses gives the harried business manager and dyspeptic vice president release from the tensions of the city and his office. In some places there are interesting recreational inducements. But those are strictly a sideline. In most instances you will find the students working an eight hour day, with night sessions thrown in."

END



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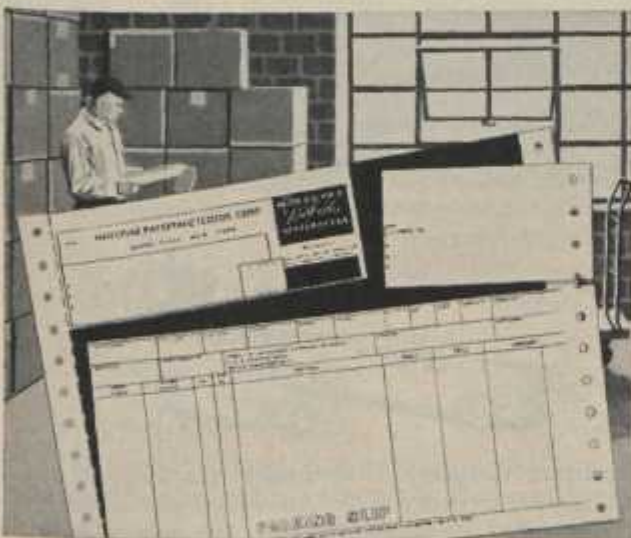
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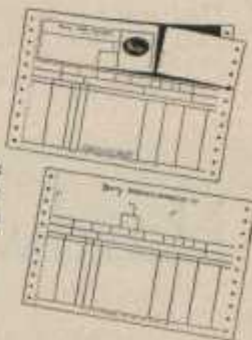
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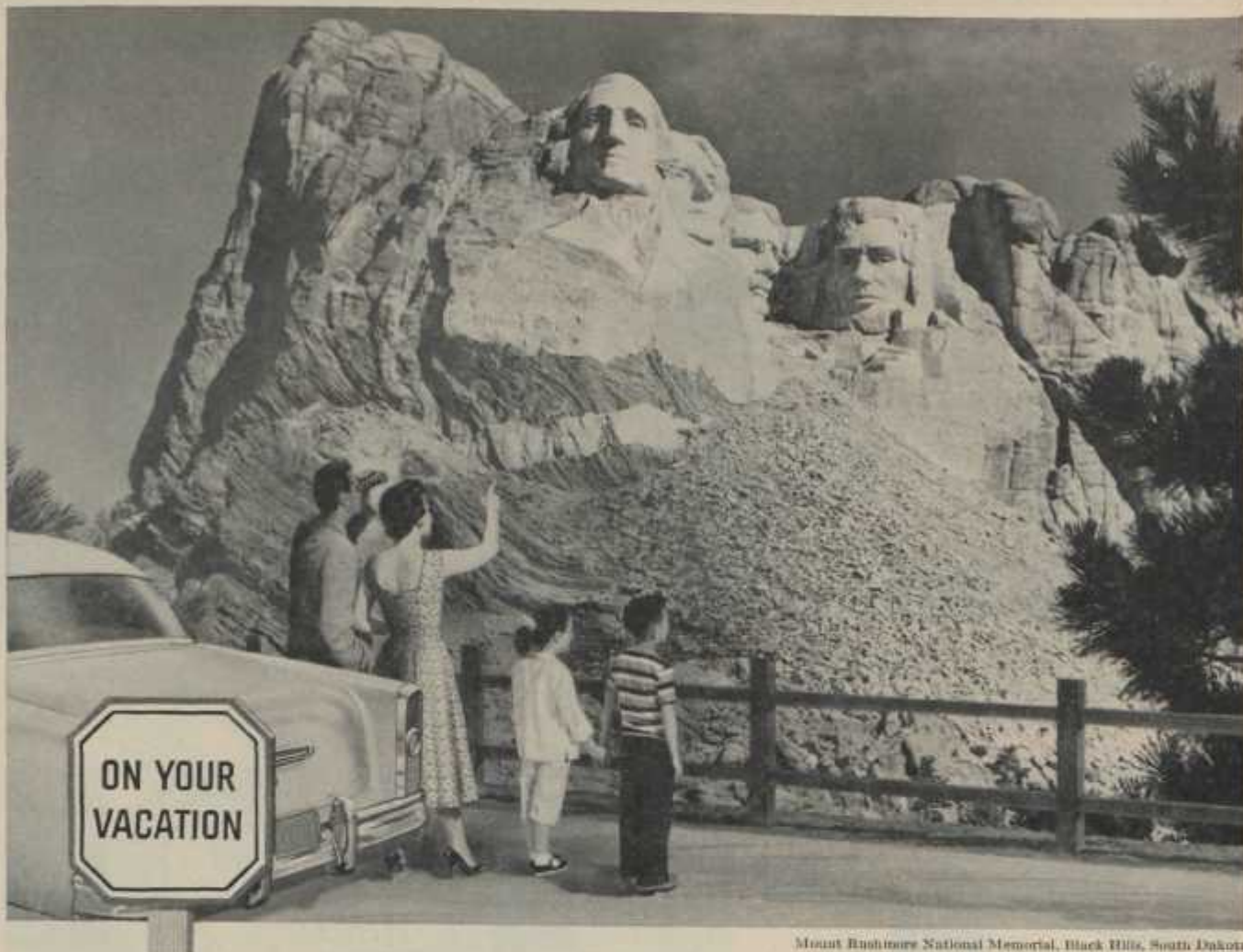
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THE STATE OF THE NATION BY FELIX MORLEY

Electoral plan could bring first indecisive presidential vote since 1824

No part of the Constitution was more carefully designed than that which provides for the election of the President. Yet no other part of our governmental system today differs as much from the original plan in actual practice.

For instance, it is a novel and startling idea to many people to think that the voting on Nov. 6 might be wholly inconclusive, and that for two months thereafter we might not know who would be the next President. But twice in our history the election has been thrown into the House of Representatives by the way the electoral vote divided. And it could happen again this year.

The Founding Fathers were fully aware of this possibility of a run-off election and regarded it favorably. Evidence of this is readily available in No. 66 of the *Federalist*. Here Alexander Hamilton considers the relative powers of the Senate and the House of Representatives. The prestige of the latter, he says, is greatly increased because it may frequently elect the President.



The fundamental law governing our presidential elections is the first section of Article II of the Constitution, as modified by the Twelfth Amendment. Its essential point, which is often forgotten in the heat of the campaign, is that the American people do not vote directly for a presidential candidate, but for state electors equal in

number to each state's congressional delegation. That number is the much-discussed "electoral vote" of the various states, the total of which for all the 48 states is now 531.

Since every state has two senators and at least one representative the minimum electoral vote is three, which is presently the case for Delaware, Nevada, Vermont and Wyoming. The maximum electoral vote for a state depends of course on its population, which determines the number of representatives. At present New York heads the list with 45 electoral votes while California and Pennsylvania are tied for second with 32 each.

After each decennial census there is an automatic reapportionment of the electoral vote, corresponding to any change in a state's representation in the House. In 1948, the last election before the 1950 census, New York had 47 electoral votes, Pennsylvania 35 and California only 25. In 1928, California had only 13 electoral votes, or as many as Indiana or Missouri now. Thus the meteoric rise in the population of California has brought a corresponding increase in its political influence, of which Vice President Nixon is currently the beneficiary.

The Constitution further ordains that the candidate receiving the greatest number of electoral—not popular—votes shall be the President, "if such number be a majority of the whole number of electors appointed." But if no candidate obtains this majority of the Electoral College, which is at present 266, then the election is thrown into the House, where each state must vote as a unit

State of the nation

"and a majority of all the states shall be necessary to a choice."

In 1800, when there were only 14 states in the Union, no candidate got a majority of the electoral vote and Thomas Jefferson was finally chosen over Aaron Burr by a House vote of ten states to four. In 1824 the same thing happened in a Union which then comprised 24 states. In the House run-off John Quincy Adams then squeezed in with the support of 13 states, as against seven for Andrew Jackson and four for William H. Crawford, one of the unjustly forgotten men in our historical background. Adams became the sixth President although he had run behind Jackson both in the electoral vote and in the popular vote, so far as it was then tabulated.

With a two-party system, and as long as the total of the Electoral College is an odd number, one of the two candidates is sure to be chosen, if only by a bare majority of the electors, on the appointed day. But whenever there is a third candidate strong enough to win the electoral vote of several states, the situation is different.

Taken together, the six leading states (New York, California, Pennsylvania, Illinois, Ohio and Texas) dispose of 185 electoral votes, or 35 per cent of the total. The next six (Michigan, Massachusetts, New Jersey, North Carolina, Indiana, Missouri) together have 92 electoral votes, which is 17 per cent of the total. All of the remaining 36 states in sum control only 48 per cent of the electoral vote. So in a three-cornered contest one candidate might be victorious in three-quarters of the states, yet fail of election until the House had acted on the basis of one vote for each state.

While this particular line-up is most unlikely, we had, only eight years ago, a sharp reminder of the possible complications in our electoral system. In 1948, because of a split over the Civil Rights platform, the Democrats nominated two candidates, President Truman as the "regular" and Governor Thurmond of South Carolina as the "States' Rights" candidate. This did not mean the formation of a third party, for the division did not affect the congressional candidates but only the presidential and vice presidential nominees.

When the dust settled it was found that President Truman had won 28 states, with 303 electoral votes; Governor Dewey 16 states, with 189 electoral votes, and Governor Thurmond four states with 38 electoral votes, to which was added one more vote by an independent-minded elector in Tennessee. Although Thurmond had run a poor third in Tennessee nobody could successfully question that recalcitrant elector's constitutional

right to vote for the candidate of his choice, regardless of the division of the popular vote.

In 1948, Thurmond won Alabama, Louisiana, Mississippi and South Carolina. He also polled a substantial vote in other southern states, notably Florida, Georgia, North Carolina and Virginia. It is perhaps not generally realized that if the Dixiecrat candidate had carried those last four states, the 1948 presidential election would have been inconclusive, and would have gone to the House of Representatives for decision. Losing the eight states named, and assuming that Dewey had run as he did, Mr. Truman would have received 258 electoral votes, or eight less than the bare majority requisite for election.

The possibility of a southern walkout at the Democratic Convention in Chicago this August is certainly as strong as it was two months prior to the Dixiecrat revolt at Philadelphia eight years ago. Indeed, the chance is probably greater now because southern sentiment has been solidified by the attempt to enforce compulsory integration.

The legislatures of eight southern states have all but unanimously adopted resolutions of interposition. And there is other evidence that northern pressure at the Chicago convention could again result in the nomination of two Democratic candidates, in which case the one running under the States' Rights banner might well be strong enough to cut the electoral vote of a northern rival below the requisite 266. That is the more likely if several electors in border states, or in sharply divided Texas, decide to assert the same independence successfully exhibited by that one Tennessee elector of 1948.

It is too easily assumed that a Democratic split would benefit the Republican candidate. If the division came, each Democratic faction would be the more zealous for its leader. President Eisenhower, assuming his nomination, would be less likely to maintain the southern inroads that he accomplished in 1952.

So the prospects of an indecisive presidential election—for the first time since 1824—are strong enough to warrant careful consideration in advance. Only by so doing can the shock which the country would otherwise experience be minimized. For few Americans, and one may add scarcely any foreigners, are aware that the designers of our electoral system expected the House to have the last word on the presidency frequently.

Some politicians would like to have it that way, because if the House elects the President, the vote of Delaware, or Nevada, counts as heavily as that of New York, or California. But most people hope that the outcome here discussed can and will be averted. The complications and confusion that would result would be far worse in 1956 than was the case in 1824.

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Trends

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WASHINGTON MOOD

BY EDWARD T. FOLLIARD

Changes ease White House routine; President shows new air of relaxation

A CHUNKY, sunburned man drove up before the White House Executive Office. From the trunk of his car he hauled a box containing ice and a 100-pound halibut.

The caller was Nestor Hill of Hyannis, Mass., a Cape Cod fisherman of note, who had driven all the way from home to give the President his prize catch. His visit had been arranged by a congressman.

Before his heart attack, President Eisenhower almost certainly would have come out to accept the halibut. The news photographers would have been on hand, and there would have been the familiar cries of "One more, Mr. President, one more."

On this occasion, however, it was Sherman Adams, the Assistant to the President, who took over. He accepted the big fish from Mr. Hill, and assured him that at least a part of it would reach the First Family's table.

This incident illustrates how President Eisenhower has cut down on some of the chores he used to perform before he was hit by a coronary thrombosis.

The other noteworthy change in his 8 a.m. to 6 p.m. routine is a midday nap. This comes at 12:30 p.m., between a swim in the White House pool and luncheon.

The Chief Executive still receives a good many callers, naturally; the curtailment has been in connection with visits not strictly related to government business. Once, for example, he used to receive the Truck Driver of the Year; this time Vice President Nixon acted as his stand-in for that ceremony.

Mrs. Eisenhower also is helping to ease the bur-

den on the President in the ceremonial field. It is she who now welcomes groups who are sponsoring worth-while drives.

The President autographs fewer pictures than before, dictates fewer letters, and gives fewer stag dinners, all of this economy of effort being intended, of course, to protect him against excessive fatigue.

Well, how goes it for the soldier-statesman under this regimen, eight months after his heart attack? The answer is that he looks well and acts like a man who feels well. His face is ruddy, his eyes clear, and he still has some of the old West Point springiness in his walk.

It may be true, as he himself said back in January, that he can never hope to recapture the wonderfully good health he enjoyed before his attack. Even so it seems to me that he is more relaxed now than he was before, and also has a more serene outlook.

Aside from the changes in routine that have been mentioned—the President's midday rest and the fact that he sees fewer visitors—life at the White House seems to be pretty much what it was a year ago.

President Eisenhower is awakened in his bedroom on the second floor of the White House at 6:45 a.m. by Sergeant John Moaney, his Negro valet, who was his striker in World War II. Moaney brings him his breakfast on a tray, and also five morning newspapers—the *New York Times*, the *New York Herald Tribune*, the *Baltimore Sun*, the *Washington Post and Times Herald*, and the *Wall Street Journal*.

The President used to limit his breakfast to a half grapefruit and a cup of coffee. Now, on doctors' orders, his morning meal is more substantial. Sometimes he will have a small piece of beefsteak, which he began having for breakfast in the hospital at

Washington mood

Denver. With this he will have fruit, toast and a coffee from which the caffeine has been removed.

Usually, the first to talk to the President in the office is Mrs. Ann Whitman, his personal secretary. Then come Sherman Adams, Bernard M. Shanley, James C. Hagerty and other staff members to discuss the business of the day. Ahead of the President in the morning may be a meeting with the Cabinet, a meeting with the National Security Council, a meeting with the Republican leaders of Congress, or a press conference.

Around noon the President takes the short walk from his office to the White House swimming pool, disrobes and cavorts in the water for a half hour or so. This too is on doctors' orders. Before his heart attack, he hardly ever went near the pool, preferring to get his exercise in other ways.

From the pool he goes to his bedroom for a nap. Then comes a 1 p.m. luncheon, and after that a return to the office, usually a little after 2 p.m. There will be more conferences with staff members, and also with callers, maybe Secretary of State John Foster Dulles, or maybe a group of businessmen, labor leaders or farm leaders. The President used to complain that his schedule allowed him no time to think, and, accordingly, his staff tries now to set aside periods when he can wrestle alone with problems that are giving him concern.

In the evenings, after dinner, the President and the First Lady may go to the little theater on the ground floor of the White House and watch a movie (Hollywood producers send them reels of all their good shows), or they may watch television.

Occasionally, if he has time and the weather is good, President Eisenhower will leave his office in midafternoon, go out to the south grounds and hit some iron shots, while Sergeant Mooney shags the balls.

The President tries to get in a full 18 holes of golf at least once a week at the Burning Tree Club, in Maryland just beyond the Washington line. He usually plays there on Wednesday afternoon, after his weekly meeting with the reporters.

On week ends, now that the weather is good, the President and Mrs. Eisenhower go to their Gettysburg farm, an 85-mile drive from the White House.

The Wednesday news conference is, of course, a highly important event, both for the President and for the 200 or so reporters who turn out for it. It is through this thoroughly American institution that the people of this country and of the world come to know the President's views on important issues of the day, domestic and foreign.

Some of the reporters who attend these conferences regularly think they have noted a change

in the President in the past three months; that is, since about the time he announced that he would run for a second term. They think he is more relaxed, more mellow.

A week after he made his second-term announcement, the President was reminded of something that the Democrats were saying about him—that he was a “part-time President.” Did he have any comment?

President Eisenhower's face reddened, and his eyes blazed with anger.

“There is going to be no neglect of the duties of the presidency of the United States,” he said, “and when I feel I can't carry them on, I won't be there.”

What has caused him to cool off in the interval is conjectural. It could be the continuing Gallup Polls indicating another landslide victory for him in November, or it could be a realization on his part that anger is not good for a cardiac case. Anyway, the “part-time President” charge no longer seems to upset him.

When you get right down to it, there probably is no way for an outsider to determine whether a President is really carrying out his full constitutional duties. If a President can delegate the preparation of a speech to a ghost writer, as nearly all of them have done, then a President also could delegate the making of important decisions to ghost thinkers and few would be any the wiser.

But as President Eisenhower said to newsmen last month, he might tell others to do things for him, but he himself has to “take the gaff.”

“No President,” he said on this occasion, “can delegate his constitutional duties. How can he do it? He has to sign the papers. He has to sign them, and he is responsible for them...”

Just before this, the President had in effect bared his breast to the Democratic foe. When a reporter told him that the Democratic strategists had decided to go after him instead of his cabinet lieutenants, to make him the No. 1 Republican target in '56, he said in an affable way that this was perfectly correct. He went on to say that, after all, he was head of the Republican Administration, and he added: “I have been shot at before.”

The Democratic criticism has been mounting, but it is almost always devoid of epithets. The only thing resembling an epithet came in 1953 from Sen. Olin Johnson of South Carolina, who called the President “Alibi Ike” and twitted him for his golfing and fishing excursions.

It still is historically correct to say that President Eisenhower has been handled even more tenderly than the immortal Washington, who in his second term was denounced as a “tyrant,” a “dictator,” and an “impostor” who should be “hurled from his throne.”

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Nation's Business
June 1956

MILITARY AIRLINE OUTGROWS THEM ALL



AIR FORCE PHOTO

Despite Hoover Commission recommendations for savings, Military Air Transport Service flies globe-circling network with more planes than all domestic commercial airlines

THE MILITARY Air Transport Service is tooling up for more expansion of its already gigantic world airline and cargo service.

The expanded operations could cost the taxpayers as much as \$1,000,000,000 a year.

This expansion—particularly the luxury airline and cargo-carrying services—are in direct defiance of the Hoover Commission's recommendations that the Air Force cut back and eliminate, wherever possible, operations which compete with commercial airline facilities.

While the total cost for national defense has declined almost \$11,000,000,000 since 1953, the cost for operating this service has grown at an enormous rate.

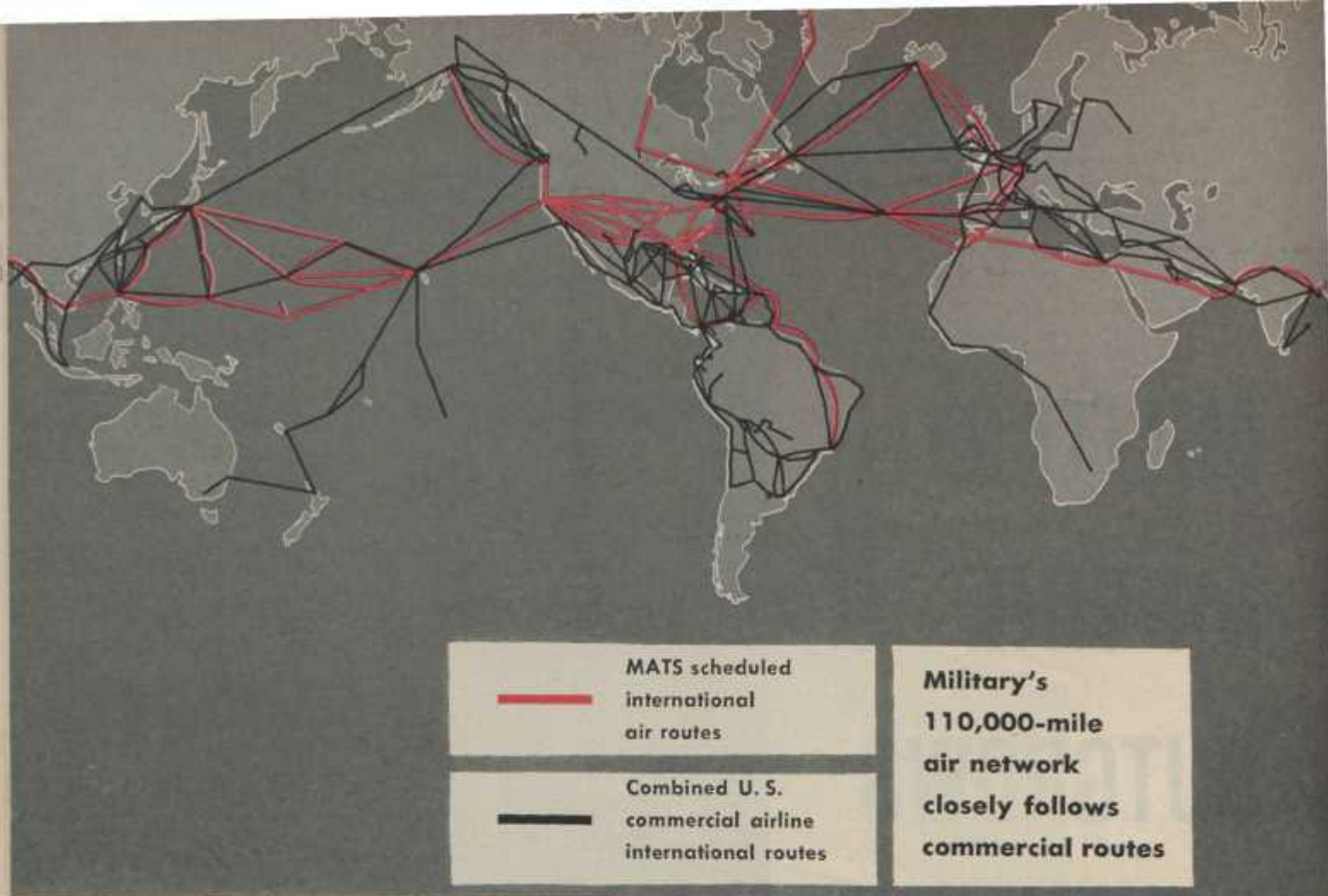
With one fourth more aircraft than all domestic com-

mercial airlines combined, the military airline operates scheduled and nonscheduled passenger and cargo flights throughout the United States and 37 other nations along 110,000 miles of air routes.

The network circles the globe. A MATS aircraft will be crossing the Atlantic or Pacific Ocean at the rate of one every 24 minutes during 1956. In 1955 the service averaged one ocean crossing every 32 minutes.

To assure passenger comfort, the service operates a special school where enlisted personnel, men and women, are trained as flight attendants.

Besides its passengers and cargo transport service, the Command operates a variety of other services including weather reconnaissance, air rescue, photography and charting, aircraft ferrying, flight testing new



equipment, and so-called special mission flights. The Command was created on July 1, 1948. To it was delegated the responsibility of providing all branches of the armed forces and other agencies of the United States government with effective air transportation. It has world headquarters at Andrews Air Force Base in Maryland, just outside Washington, D. C.

The Hoover Commission said that most of the government airline routes were parallel to those of U. S. commercial air carriers.

The Hoover investigation found, for example, that an Air Force band was flown once a month from Westover, Mass., to Bermuda. There was no band in Bermuda and the flights were justified by the Air Force for morale purposes.

The Commission did not challenge the justification but noted that two U. S. airlines which operate regular schedules along the route could have transported the band at less cost to the taxpayers.

The Hoover task force on air transportation learned further that commercial airline payments amounting to \$42,900,000 in fiscal '54 could have been reduced 88 per cent if the airlines had flown only 25 per cent of the passenger volume and 50 per cent of the mail moved by MATS in the course of the year.

Today the government-operated airline provides service to Asia, Europe, Alaska, Africa, South America, the United Kingdom, and the Pacific Ocean area.

Assets of the government airline now total \$1,468,280,529.

This includes \$990,420,529 for aircraft and \$477,860,000 for stocks, land, construction in progress, and other property. The figure is described as including certain property of other Air Force units stationed on

MATS bases, but not including equipment stationed at bases of other Air Force units.

From 1954's cost of \$481,400,000, annual operating expenditures increased to \$560,024,000 for fiscal '55. It is estimated that MATS expenditures will be about \$644,275,000 in fiscal '56 and 1957 expenditures will total about \$740,000,000.

Some estimates, however, place the total cost to taxpayers as high as \$1,000,000,000 a year.

The gross operating expenditure is described as including costs for interceptor defense, air rescue, weather reconnaissance, air evacuation, aerial surveys, ferrying aircraft, and turboprop tests, in addition to transportation services. The operating figures do not include cost of depreciation on capital assets. Nor do they include salaries.

The Military Air Transport Service operates approximately 1,500 airplanes. All U. S. domestic commercial airlines combined operate 1,212.

Of the service's total, 506 are four-engine aircraft. All U. S. airlines together operate 548 four-engine planes.

The Navy operates 50 of the newer four-engine transports in regular passenger service. These are assigned to MATS. The Navy also has 149 of the C-54 type aircraft used during World War II. Another 36 twin-engine transports make up the Navy's air transport system.

When a planned reorganization of the Military Air Transport Service is completed, the service will take over the operation of all regular-route military air transport. This includes the Navy's Fleet Logistic Air Wings, known as Flogwings.

MATS has approximately 104,500 personnel as-



AIRMAN 3RD CLASS *Marjorie Sterling serves as stewardess on Germany run*

JOE COVELLO-BLACK STAR

signed to it. These include Air Force and Navy personnel and civilian employees. In 1955 the service logged 1,180,000 hours flying time, a 24 per cent increase over 1954. Transport planes flew 568,000 hours, carrying 733,400 passengers and patients and moving 139,000 tons of cargo and mail.

On its global network of air routes, the military service transported 418,933,707 ton-miles of cargo and mail during fiscal 1955. For comparison, the total express, freight and mail moved by all U. S. domestic commercial airlines together last year totaled 316,516,000 ton-miles.

The military airline last year flew 2,138,002,924 passenger-miles. That compares to 4,265,962,000 revenue passenger-miles flown last year by the largest domestic commercial airline.

The rise in traffic by the military service is continuing this year. Flights to Europe are running about a third ahead of last year. Here is a comparison:

	1955	1956
January	574	941
February	565	786
March	720	825
April	678	825*
May	564	825*

*Estimated by MATS

From January through May this year an estimated 142,160 passengers were transported by the service between the United States and Europe. That compares to 120,126 in the same period last year.

Trans-Atlantic cargo and mail is estimated at 36,332 tons, which compares to 30,542.8 tons carried in the like period of 1955. (Continued on page 77)

Passenger miles flown by MATS

1951 • 851,630,207

1952 • 962,553,528

1953 • 1,142,077,231

1954 • 1,374,648,965

1955 • 2,138,002,924

SKILLED WORKERS... tighter pinch ahead

Steps you can use to build adequate supply of skilled workers are outlined by E. R. Chappell, assistant to Secretary of Labor, and head of government Skills of the Work Force Program

An exclusive interview



How adequate is America's skilled manpower supply?

The number of skilled workers—now estimated at about 8,400,000 in a total work force of approximately 65,000,000—simply has not kept pace with the phenomenal expansion of our economy.

How serious is the skills shortage?

Our present supply of skilled workers is inadequate in two respects.

First, some jobs have been going begging because adequately trained workers cannot be found to fill them. A Labor Department survey of 200 large firms engaged in scientific research and development shows that one out of three have major or substantial shortages of research scientists and engineers.

Moreover, many firms report that, although they do not have numerical shortages of research personnel, they need better qualified scientists and engineers. This situation is particularly acute in the aircraft, electrical equipment, petroleum, paper, food, and primary metals manufacturing industries.

Second, and most significant, is the lack of adequate skill and training on the part of a great many workers now employed. Many do not have the basic background of education and training needed to enable them to keep up with major techno-

GEORGE LOHR

logical developments in their industries. Surveys by a number of firms show that a great many of their employees need additional training to do their jobs better or to be in line for promotion or upgrading as more experienced workers retire or leave for other jobs.

The need for more adequate training exists in all types of skilled, professional and managerial occupations.

Who is included in the skilled worker category?

In nearly every one of the 11 broad occupational groups listed by the Bureau of the Census there are some jobs requiring a considerable degree of skill. Job titles don't always reflect levels of skill, largely because as the economy, the technology and the society change, the characteristics of the jobs and the skills of many workers also change.

But the term "skilled worker" frequently is used as a synonym for the craftsmen group, and we should probably add the "technicians" within the professional, technical and kindred group.

How would you define a skilled worker?

There are three areas to consider in determining whether an individual is a skilled worker:

1. He must possess those distinctive abilities required in the successful performance of the job. These abilities are beyond those such as reading, writing and using a hammer and saw, which one normally requires.
2. He must have a certain level of competence. Each skilled occupation has its own standards of the quality of acceptable work.
3. He must have had training to acquire the necessary abilities and required level of competence. No one becomes a skilled worker without this special effort.

How many do we need each year to replace losses due to death, retirement and occupational shifts?

We need to train about 250,000 new craftsmen and technicians every year just to maintain this skilled work force. Since all the evidence of technological development points to an expanding demand for workers in these occupations, it is obvious that a greater training effort must be made.

What is the outlook for our skilled manpower supply over the next five to ten years?

Whether the supply will be adequate depends on vocational counseling and guidance services which help young people select occupational goals, and on training programs con-



250,000 new craftsmen and technicians are needed yearly to support skilled work force.



ducted by schools and industry. These are far from adequate now and will have to be greatly improved to meet future needs.

But in the long run we can expect a greater number as well as a greater proportion of better educated new entrants into the labor force. The relatively small number of new entrants at this time is a direct result of the low birth rate of the 1930's. The postwar baby boom, in time, will relieve this shortage, first with a gradual increase in the number of new labor force entrants and then, starting about 1963, with a marked step-up.

In addition, the number of young people going to college has been increasing. The number now enrolled is at an all-time high of 3,000,000 and this is expected to double by 1970, assuming adequate facilities are available. The proportion of youngsters graduating from high school also is rising rapidly. It increased from 49 per cent in 1940 to 62 per cent in 1955.

About how many skilled workers will industry need by 1960?

Needs for workers change rapidly as a result of technological and market factors. But the Labor Department is now engaged in a study which may give us some estimates of future needs. This study will be completed in about one year.

You mentioned a few of the industries that are hard hit by shortages of skilled workers. Are other industries feeling the pinch?

There are some shortages of virtually all kinds of skilled occupations in one place or another, but those which concern us most are concentrated in the professional and in the craftsmen and technician occupations. Among the former, shortages of engineers, particularly mechanical, aeronautical, electrical and electronic, are the most widespread and severe.

Scientists—notably physicists and mathematicians, but also chemists, biologists, and geologists—are not available in sufficient numbers. We also need more teachers, physicians, and nursing assistants, social workers and physical and occupational therapists.

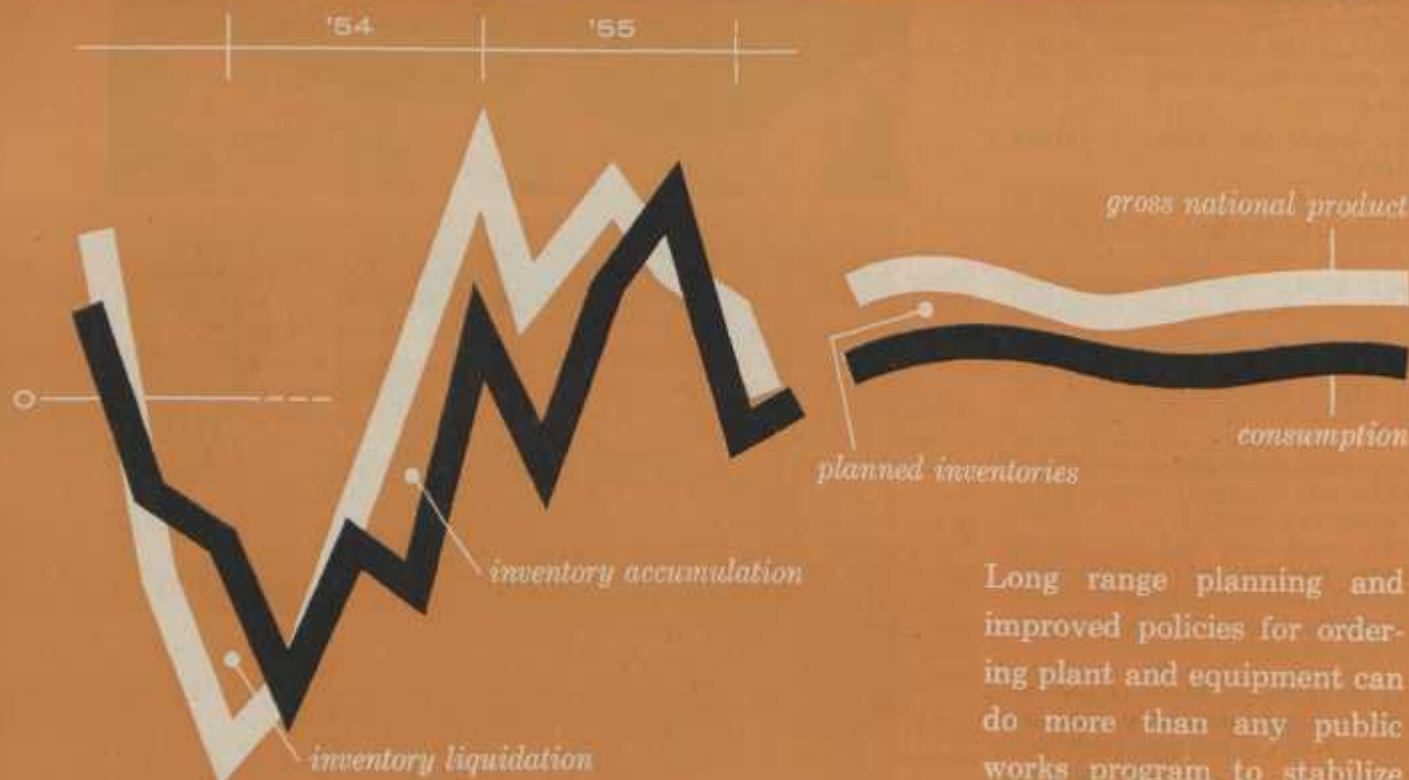
Machine shop crafts have skilled worker shortages. These include tool makers, die makers, machinists, and skilled machine tool operators such as those working on lathes, shapers and milling machines. There are other important shortage occupations, too. To name just a few: airplane mechanics, instrument repairmen, sheet metal workers, patternmakers, electricians, tool and die designers, typists, stenographers, laboratory technicians.

(Continued on page 91)



Inventories: major boom or bust factor

How your stockpile can save money or lose it for your firm. Here are tips for better planning



Long range planning and improved policies for ordering plant and equipment can do more than any public works program to stabilize the economy.

Building inventories one year and living off them the next brings fearful economic fluctuations. At the end of 1953, nonfarm inventories went from purchases of \$1,900,000,000 to a liquidation of \$3,200,000,000, a decrease of some \$5,000,000,000. This accounted for 55 per cent of the business decline at that time.

THE GREATEST strength or weakness in today's economy is business inventories.

They can also save money—or lose it—for the firm.

Close examination of recent events shows that more careful programming of business expenditures might reduce the frequency and magnitude of general fluctuations much more than governmental controls could do.

Before considering how we can have this better programming, let's review what lack of it has cost us in the past.

From 1929 to 1930, business as a whole dropped ten per cent. Consumers' incomes, in 1955 prices, dropped about \$10,600,000,000. But consumer expenditures dropped only about \$9,600,000,000. That is, consumers spent more of their income in 1930 than they spent in 1929. By 1932, consumers were spending every cent they earned, and more, too.

But business inventories, which rose in 1929 by the equivalent of about \$3,250,000,000 in 1955 dollars, dropped by \$150,000,000 in 1930. That shift from inventory building to liquidation may have accounted for a fifth of the jobs lost in 1930. It accounted for about 68 per cent of the total decline in nonfarm business investment. In 1930, too, business construction dropped \$2,000,000,000 (in 1955 dollars) and expenditures for producers' goods dropped \$2,300,000,000. Business inventories declined \$3,400,000,000.

In 1949, consumer and government purchases actually rose but businessmen's expenditures dropped by more than 30 per cent. The economy as a whole dropped less than one per cent. Shifts for outlays for business construction were minor, but inventory investment went from an accumulation of about \$3,500,000,000 in 1948 to a liquidation of about \$2,500,000,000 in 1949, or a decline of \$6,000,000,000 in 1955 prices. The economy as a whole declined less than \$1,000,000,000.

If consumers and governments had reduced their expenditures as much as businessmen cut back their investments in 1949, the ensuing crash would have been much worse than even the experience of 1930-1932. Business investment actually was reduced more in 1949 than it was in 1930. Actions of government and consumers—rather than actions of businessmen—made 1949 better than 1930.

In 1954 business investment dropped about a sixth. Although business construction did not decline at all, nonfarm inventories went from an increase of \$1,900,000,000 in 1953 to a liquidation of \$3,300,000,000, or a decrease of more than \$5,000,000,000. Business as a whole dropped by nearly \$9,000,000,000, with the shift in inventories accounting for more than 55 per cent.

Again the situation was saved in part by consumers who increased their expenditures, in part by intelligent governmental action and in part by fortuitous developments.

These experiences indicate that consumers have more confidence in the future than they had a few years ago. They may buy fewer automobiles if models change but prices don't—but they tend to buy other goods instead. Bank and credit authorities, as exemplified by the Federal Reserve Board, are learning how to act to encourage stable progress. The federal government has learned a great deal in the past ten years about how to help reduce fluctuations without weakening the basic elements in the economy.

But business still tends to shift its investment sights. It builds additional capacity one year, and none the next. It adds to inventories one year and lives off them the next.

Businessmen, therefore, have tended to be instigators of the very fluctuations in the economy that they fear.

Their investments in capital goods, for instance,

have been erratic. Expenditures for producers' durables dropped more than 40 per cent from 1920-1921, rose 45 per cent in 1923, dropped 15 per cent in 1927, rose 20 per cent from 1928-1929, and dropped 20 per cent in 1930.

These variations now may be getting smaller, however. Expenditures for producers' equipment dropped only 11 per cent in 1949. While they went up 16 per cent in 1950, they dropped nine per cent from 1953 to 1954, and rose only three per cent in 1955.

Businessmen appear to have made progress in reducing fluctuations in this type of investment. Large concerns, particularly, are able to make long-range plans. Their success in this means that orders will flow more evenly to smaller companies, and that their orders, too, can be steadier. Improved policies for ordering plant and equipment were among the important reasons 1954 proved to be such a mild recession.

Such leveling of expenditures for plant and equipment will do far more than any public works anti-cyclical program ever could do. After all, private investment now exceeds \$35,000,000,000 per year, and federal construction expenditures do not exceed \$5,000,000,000. A 15 per cent increase in private investment would be the equivalent of a doubling of federal construction outlays. So private attention to stable investment programs is vastly more important than are the potentials of federal action in the field of public works.

But improvements in capital programming are not yet matched by improvements in handling inventories. In this important area private businessmen can do much to reduce the changes and the severity of cycles.

Both small and large firms have done relatively little.

This is an area where small businessmen can do as much proportionately as big firms.

It is easy to point out that a particular action is harmful for the country as a whole. It is quite another task to demonstrate that it is also harmful to a particular company at a particular time. A purchasing agent can argue that at some particular time prices and backlogs are rising, so he must double his usual orders in a hurry or someone else will get the material his company needs, his company will be unable to fulfill its contracts and will have to pay inflated prices for what few goods it is able to get. Obviously, under such conditions, this purchasing agent would feel justified in trying to build up a larger inventory.

By this approach he might well be hurting his own company, as well as the national economy.

Time after time purchasing agents have built up good-sized inventories in times of rising business only to find that they have accumulated stocks at prices higher than can be commanded in the market after the frenzy has passed. Even though prices have edged upward in the past 40 years, inventory liquidations have cost companies more than inventory accumulations have brought them.

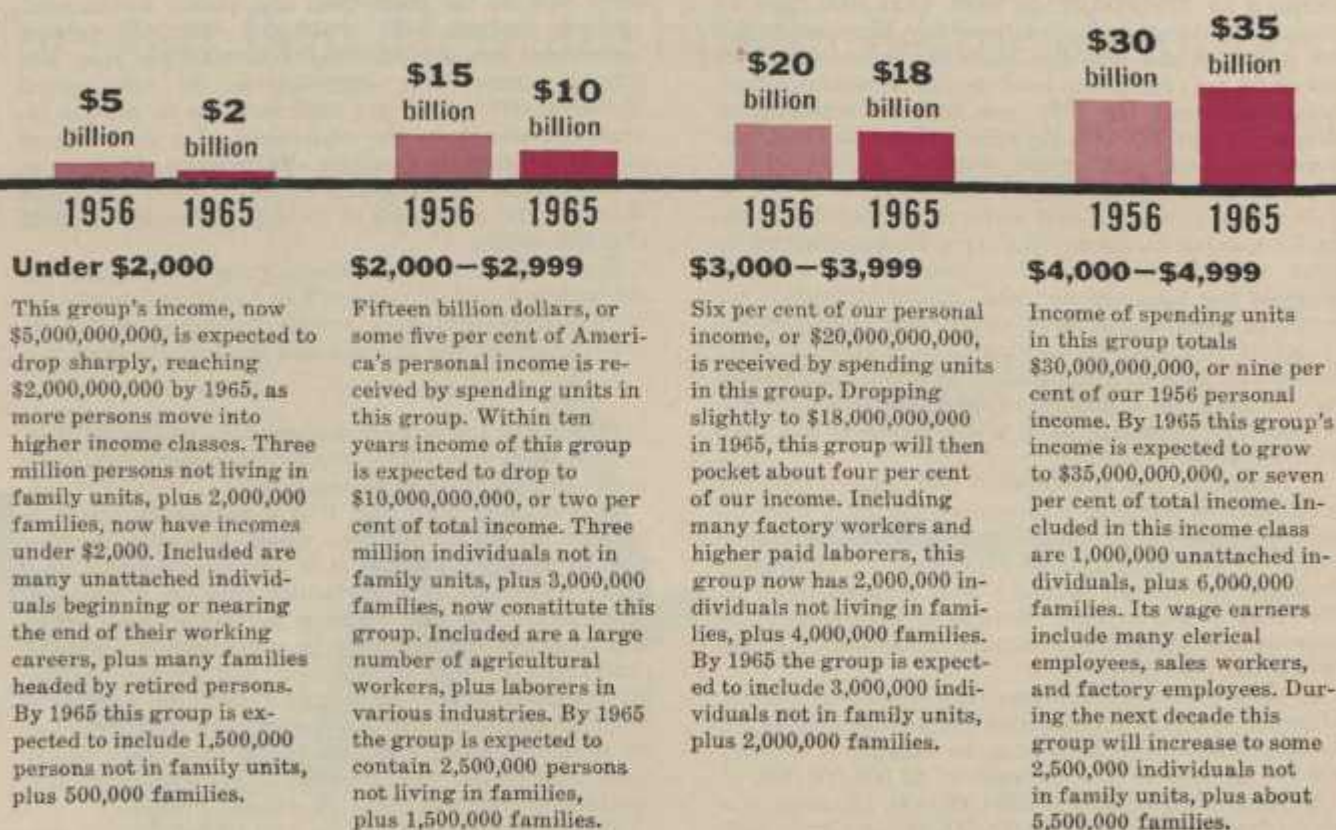
For instance, Dr. Moses Abramovitz, in a study made for the National Bureau of Economic Research, calculates that manufacturers' inventories rose 17 per cent in physical terms from 1919-1921, but were worth 17 per cent less. The physical volume of inventories in the hands of distributors rose 19 per cent, but the value dropped 18 per cent. Businessmen lost more in value changes from 1920-1921 than they had made on the upswing.

Similarly, in the 1924-1927 period, both manufacturers and distributors seemed to be gaining as their inventories built up.

Then, in 1927, metals and (Continued on page 80)

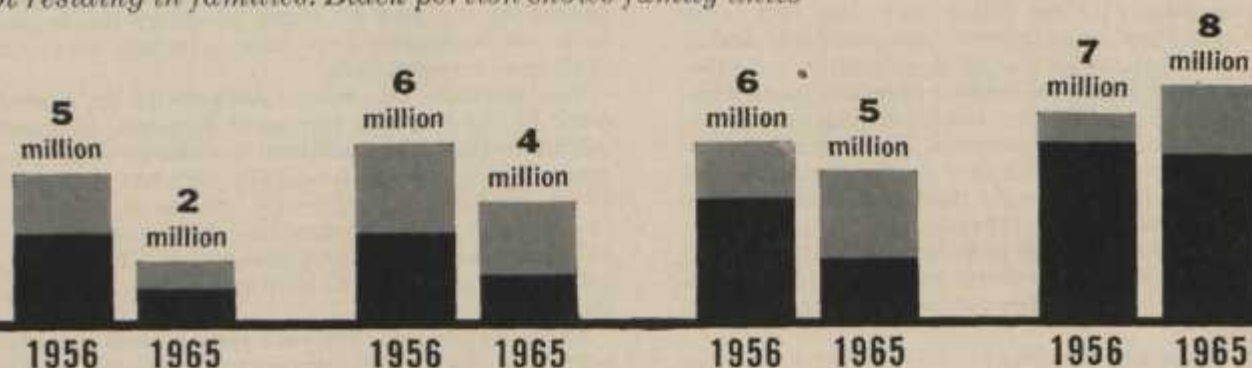
PURCHASING POWER IN

Income will distribute this way: bars show the amount of total personal income going to each income group in 1956 and 1965



More people will move to higher brackets:

gray portion of bar shows, for each income group, number of individuals not residing in families. Black portion shows family units



See, also, "Get Ready For a Boost in Sales," November, 1955

1965

Growth and shifting patterns of distribution of income to individuals and families is emphasized in this special Nation's Business study comparing, by income levels, 1956 income with that expected in 1965 if present trends continue. The 1956 market includes 10,000,000 individuals not in family units, plus 42,500,000 family units, with a total personal income of \$320,000,000,000 which, after income tax and social security deductions, leaves \$282,000,000,000 as spendable income. By 1965 the market will grow to 11,500,000 individuals and 48,500,000 family units with total income, in 1956 dollars, of \$475,000,000,000.

\$45
billion

\$50
billion

1956

1965

\$65
billion

\$70
billion

1956

1965

\$50
billion

\$105
billion

1956

1965

\$90
billion

\$185
billion

1956

1965

\$5,000—\$5,999

One seventh of America's personal income, or \$45,000,000,000, is received by spending units receiving \$5,000 to \$5,999. By 1965, income of this group is expected to reach \$50,000,000,000. Many persons in this group are employed as skilled workers, clerical employees, and salaried professional workers. Now including 500,000 individuals not living in families, plus 7,500,000 families, this group is expected, in 1965, to contain 1,000,000 individuals not in family units, plus 8,000,000 families.

\$6,000—\$7,499

Spending units in this group receive \$65,000,000,000, or one fifth of America's total personal income. In 1965 this group is expected to receive \$70,000,000,000, or about 15 per cent of total income. Including many managers, proprietors of unincorporated businesses, and professional workers, this group contains 300,000 persons not in family units, plus 9,700,000 families. In 1965 it is expected to contain 500,000 individuals not in family units, plus 10,500,000 families.

\$7,500—\$9,999

Fifty billion dollars, or 15 per cent of our personal income, is now received by spending units receiving \$7,500 to \$9,999. Total income of this group is expected to double by 1965, reaching \$105,000,000,000. Containing many managers and self-employed professional workers, plus many spending units containing two or more employed persons, this group includes 100,000 unattached individuals, plus 5,900,000 families. The group is expected to grow in ten years to 300,000 individuals not living in families, plus 11,700,000 families.

\$10,000 and over

Twenty-eight per cent of our personal income, or \$90,000,000,000, is received by family units with \$10,000 or more income. During the next decade income of this group is expected to double, reaching \$185,000,000,000, or almost 40 per cent of America's income. The group has many self-employed proprietors, professional workers, and salaried managers and officials. Now including 100,000 persons not in family units, plus 4,400,000 families, the 1965 composition of this group is expected to be 200,000 unattached individuals, plus 8,800,000 families.

8
million

9
million

1956

1965

10
million

11
million

1956

1965

6
million

12
million

1956

1965

4.5
million

9
million

1956

1965

REPRINTS of "Purchasing Power in 1965" may be obtained for five cents each or \$4.50 a hundred from Nation's Business, Washington 6, D.C.



NEW STUDY SHOWS EXECUTIVE PAY TRENDS

◀ Exclusive interview with Dean H. Rosensteel, director of the American Management Association's Executive Compensation Service, reveals present salary ranges, and estimates the size of 1960 paychecks

Mr. Rosensteel, what are the most significant findings of your latest study of middle management compensation?

Certain trends and summary findings are of general interest.

For example, our latest survey shows that the average executive on the middle management level received \$11,347 last year—an over-all increase of approximately five per cent over the previous year.

As to the range of salaries covered in this particular survey, more than half of the rates are within a range of \$9,000 to \$14,000.

The total range of salaries covered is roughly from \$5,000 to \$25,000.

We also found that three fourths of the middle management business executives covered received raises in 1955; that 35 per cent of these increases were for merit and ranged between five and nine per cent.

Other interesting findings were: 7.5 per cent of the executives in middle management surveyed changed jobs in the survey period (March, 1955, to March, 1956). In addition, 2.2 per cent of the jobs were eliminated entirely.

Who are these middle management executives?

We define middle management as those executives directly below the top policy-making officers in most corporations, but above the level of first and second line supervisors. Typical positions surveyed are plant managers, labor relations managers, general auditors, chief industrial engineers, district and regional sales managers. We cover all of the major functions, which include marketing, manufacturing, financial and legal jobs, industrial relations, purchasing and research and development.

What companies are surveyed?

For this particular survey, we select companies that give us a good cross section of industry generally, but

those that we know have given considerable attention and thought to the subject of executive pay.

That limits the survey to about 200 companies in 33 different industries, but in those companies we cover about 20,000 executive employees.

The companies are located throughout the United States and range in size from fewer than 500 employees to more than 10,000. Slightly more than half of the executives are between 35 and 49 years old and have been in their present positions less than five years. The study covers 43 types of positions.

Is the \$11,347 figure an all-time high average for the middle management group?

Presumably so. Actually, there isn't a great body of historic information at this level of management.

Our first report five years ago showed an eight per cent increase over the previous year. The next year that was 6.1 per cent. The next year was five per cent. For 1954 it was 4.6 per cent and for 1955 it is five per cent.

Does the upgrading of middle management pay apply to all types of companies or just a few?

There is not a great deal of difference between various industry classifications. The employment is such that there can be to some extent a free movement of personnel between, let us say, durable and nondurable manufacturing, the trades and utilities and so forth. So by and large there isn't a noticeable difference in the rate of increase between industries.

What is the range of pay increases in dollars?

To answer that question, you really have to qualify the various types of increases that are granted. These fall into three categories:

1. General increases granted ordinarily as a result of increases granted to production workers.
2. Merit increases that are for performance.

3. Promotional increases, paralleling increased responsibility.

As to merit increases, a new management technique is developing for this purpose. It involves setting standards of performance. At the beginning of each year, each executive establishes standards, or objectives, for each function for which he is responsible. If he accomplishes results which meet or exceed these standards, he has increased his value and is entitled to more pay, within the salary limits set for the job.

In connection with promotional increases, it might be noted that in any organization, until executives reach the very top, or the maximum of their capacity, in addition to increasing their value in their present jobs, they can earn promotions to the next higher level jobs. For example, a plant superintendent can work to become plant manager, or a regional sales manager can work to become the company's general sales manager. Such promotions are usually accompanied by increases in pay to compensate for the increased responsibility.

For general increases, it is not uncommon to give nominal amounts even at these levels, such as \$200 or \$300 a year. On the other hand, at the upper range in salaries we speak of here, which goes roughly to the \$25,000 a year level, it is not uncommon to find increases that run to \$1,000, \$2,000 or more.

What has caused the upward movement of middle management pay in the past five years?

All compensation has followed the general economic trends and increases in pay for employment generally. Those factors influence all levels, except the very top.

There is no commonly accepted practice so far as granting general increases are concerned. Some companies take the view that, if every increase granted as a result of union negotiation were carried through to upper levels of management, the result would be a

direct influence on negotiations. Most companies attempt by some means to maintain equity between the rates, and therefore increases for any segment of their people will have their influence throughout the company rate structure. The method by which this is done varies between companies—even between companies within closely related industries.

Is executive pay rising at other than middle management levels?

Over the past ten to 20 years the rate of increase at lower levels has been greater than at upper levels. There has been a squeeze in the complete range. Top management pay increases follow general economic

Pay is growing fastest at bottom

Up 2.7 → Top management

Up 4.6 → Middle management

Up 5.5* → Hourly paid workers

*Figures represent 1954 increases

trends pretty closely. Top management pay will fluctuate with sales revenues and profits of the companies.

For example, in 1954, top management salaries increased only 2.7 per cent over the previous year, while middle management salaries increased about 4.6 per cent, and the hourly paid workers showed increases between five per cent and six per cent.

Does this mean the over-all compensation picture is flattening out?

Yes. The gap between low-paid and high-paid workers is definitely closing.

One of the cardinal principles of any sound pay plan is that the relative difficulty and importance of work performed be reflected in the pay scales. As the lower level pay has increased at a more rapid rate than the higher levels, the differentials have become narrower. Business management will undoubtedly always try to maintain these differentials. Otherwise, there would be no incentive for men to work for more responsible jobs. The particular area where this is receiving the greatest attention is the differential between high paid workers and foremen.

What is the average pay in the top management bracket and also in the management level beneath middle management?

To answer that you have to define top management, because the ranges are so wide. For example, our surveys cover companies that do business roughly under \$1,000,000, up to and including billion dollar corporations. Salaries of presidents of those companies will range from about \$10,000 to well over \$500,000. The same holds true for the principal officers of the corporations. We have never attempted to make a statistical analysis that would show the general over-all average because it would have no meaning to us.

Now, as to the second part of the question dealing with the level next below middle management—we have just started examining what we call supervisory or foremen's pay and the over-all average for that level is about \$7,000 a year. The range is between \$5,200 and \$10,000.

Whom do you include by job classification in your lower range of inquiry?

Positions that are generally the first line of supervision. This would cover (Continued on page 73)



Top management

Salary range--\$10,000 to ?



Middle management

Salary range--\$5,000 to \$25,000
More than half make \$9,000 to \$14,000



Supervisors

Salary range--\$5,200 to \$10,000

How to make facts stand out

These simple rules
will help the next
time you have ideas
to present

A NEW KIND of chart is coming rapidly into use as a business tool.

More and more businessmen are finding that, with it, they can present facts understandably to their boards of directors, their employees, professional societies, service clubs or other organizations. They can also quickly receive needed information covering the operations of their own production, sales or other departments.

The key feature of the new technique is simplicity. Its mission is to get the meat of the story across quickly, clearly and in an interesting way. The easiest way to make a point is to give the chart a headline. The headline tells what happened, and the visual material spells it out. The eye moves easily from the headline down to the left side of the chart without having to move back and forth and fret through the meaning. The colors are soft and harmonious, and the general impression visually is pleasant.

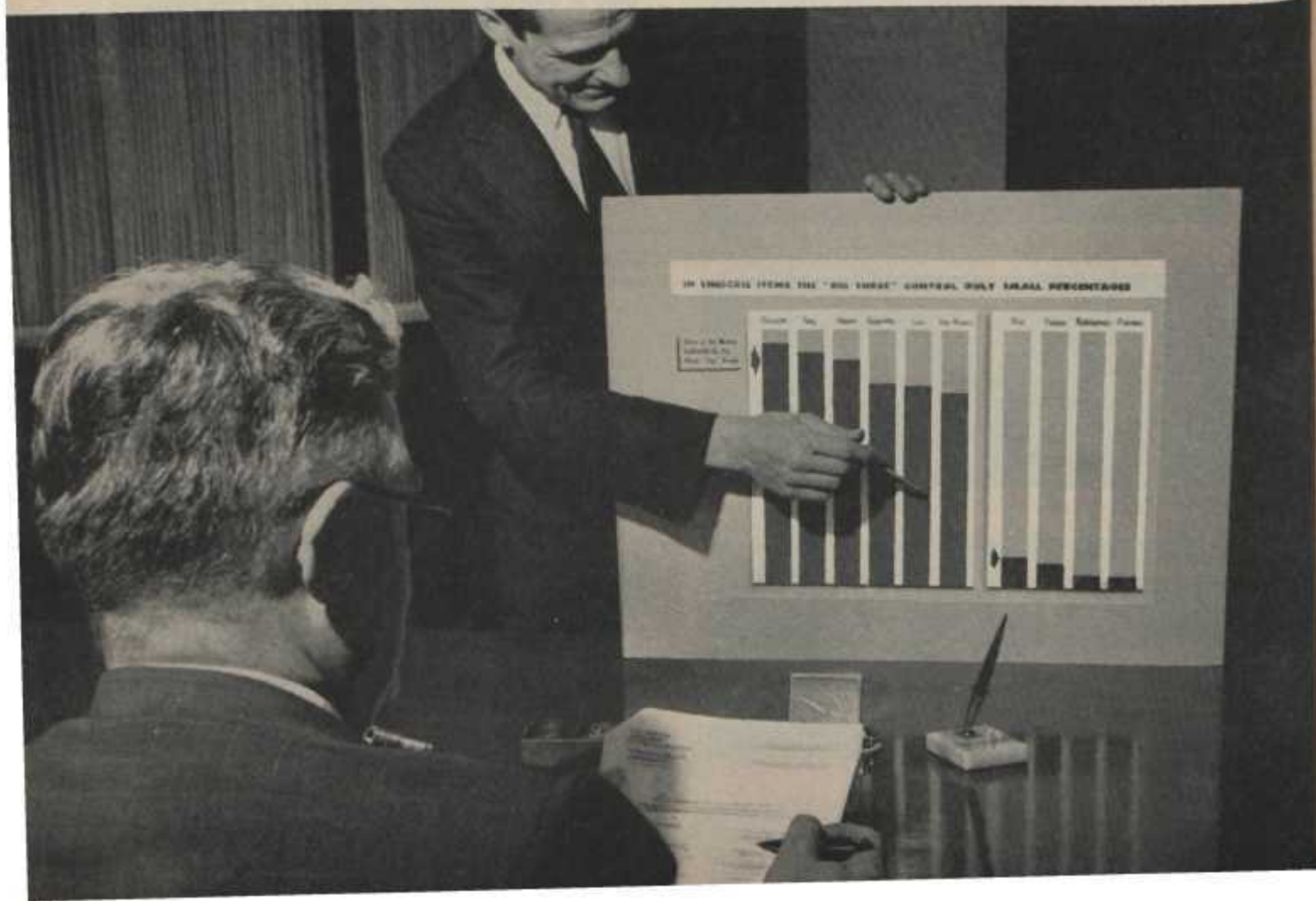
Experience has shown that one or two such simple charts—with brief comments—can give more lasting and understandable information than a 60-page report jammed with facts and bewildering statistics.

A leading exponent of the new-type presentation is Clement Hayes Watson, who started as an art director, became a copy editor, moved into research and wound up as a vice president of J. Walter Thompson Company, advertising agency.

His system was born when, as a commander in the Naval Reserve, he faced the assignment of making a 90-page report on the Navy's fiscal affairs quickly and with meaning. He put the vital facts into five simple charts. When President Roosevelt died, Mr. Watson was summoned again to help update President Truman

Presentation must think in terms of its audience, get meat of message across quickly. Documentation folder adds details for those who need them. This chart shows how "big three" firms dominate one trade area, but control only small part of a second

GEORGE LOHR



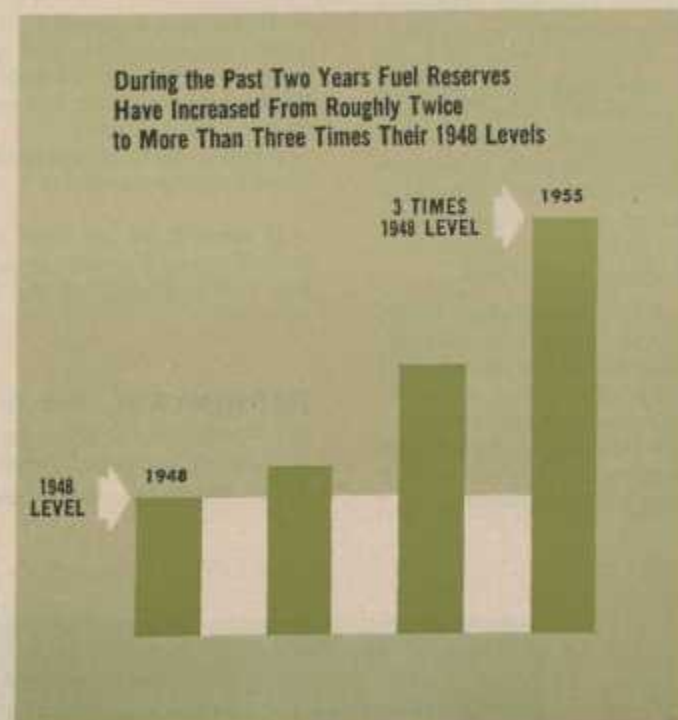
FOUR ELEMENTS MAKE UP AN EFFECTIVE CHART

1
*A simple sentence
telling what the
chart aims to show*

3
*Special pointers
to emphasize trends*

2
*A visualization
of the relation-
ships on which the
topic statement is
based*

4
*Pleasing, soft
shades, variety
in color schemes*



on the naval-war situation. Later he made a similar presentation for President Eisenhower. Eventually the Navy published a pamphlet, "Presentation of Ideas," compiled from his lectures on charts.

The major considerations of chart-making, as Mr. Watson outlines them, are:

1. The presentation must think in terms of its audience. Today's audiences are annoyed by an overflow of facts, long-winded explanations and artistic charts. People want answers to practical questions—does it cost too much, will it work, does it take too long?

Adm. William H. Blandy, chief of Naval Ordnance, demonstrated this point of view. Soon after Pearl Harbor, he told his production director, "George, I want to know how we're fixed for 5-inch AA ammunition. Don't tell me about thousands of rounds, or about percentages of initial allowances and expenditure rates. Just answer me in simple words, are we loaded with the stuff, do we have plenty to go around, do we have to be almighty stingy in doling it out, or are we in trouble?"

Too many presentations reflect the researcher's fascination with facts and figures, the artist's affection for beauty and ingenuity, or the chart draftsman's interest in geometry.

Mr. Watson recommends taking intelligent young men or women on the management side of business and training them in presentation. He says, "It is easier to train an able and ambitious assistant to the president to make charts than to teach a researcher the psychology of management.

2. A presentation should have a definite target. It should convince the PTA to go to bat for a new science laboratory or the corporation's executive committee to add a new product. Too many presentations say, in effect, "Here are the facts, now you figure out the answer." A true service is to tie problem and solution together.

In putting together his presentation, the persuader

should write out and pin on the wall over his desk the reaction he hopes to win. It will stare at him as he selects figures and makes the chart. He might also have a checklist to remind himself of his audience and its interests, the likely attitude of the audience, and factors which might work against him.

3. The presentation should show simple and practical relationships. If figures are used at all, they should be rounded. Statistics or percentages mean nothing by themselves. Thirty miles is too far from the ice cream factory to a distributor, but is next door for a steel mill and a client.

Three years to complete a super aircraft carrier would be ahead of schedule, while three weeks to get delivery on lumber for a new building might be a serious delay.

A chart showing that an office furniture company has an inventory of 1,000,000 items would be meaningless. Fifty thousand desks might be too many and 500,000 thumb tacks not enough. Each grouping in the inventory should be related to such practical matters as demand, cost, and the amount of warehouse space needed to store.

One company, for example, made sales records meaningful by two charts. One showed sales by stages of management policy, such as domination by the board of directors, an aggressive president, etc. The other showed sales against world and national events.

4. The presentation should be brief, and not try to push more than one idea at a time. The span of attention in today's high pressure life is short. Presenting major facts for a decision should not take more than an hour. A chart should be absorbed in seconds.

Too often the presenter is tempted to show how thorough he is. Frequently, 30 to 40 charts are displayed in full dress presentations. It is impossible to deliver a clear-cut message with that many facets. Three or four high spots are about all that can come

through, or possibly six if they are closely related. No enterprise in human history was more complex than the conduct of World War II. Yet its basic strategy was reduced to nine words painted on a placard over the conference table of the top-level planners. They were, "Hold Japan While Germany Is Crushed, Then Crush Japan."

An overcomplicated chart defeats itself by feeding the eyes more than the mind can absorb. Keep the eyes traveling with as little effort as possible from left to right. Make every line do an essential part. Elaborate symbols are distracting. Avoid footnotes and asterisks. Stay away from combinations of dots and dashes and shadings that do not explain themselves. Don't give equal emphasis to points of unequal importance.

5. Establish the credibility of the presentation early. This can be done by laying on the table a documentation folder and calling attention to it at the outset. This contains the basic facts, a chronology, and an organization chart. The latter shows all who took part in the research and where they can be reached by picking up the telephone. The documentation folder tends to keep the audience from interrupting with questions.

6. A new angle always attracts attention. Somewhere in the mass of statistics is information that will stimulate the audience to think, "I didn't realize that," or "There's a slant I can use."

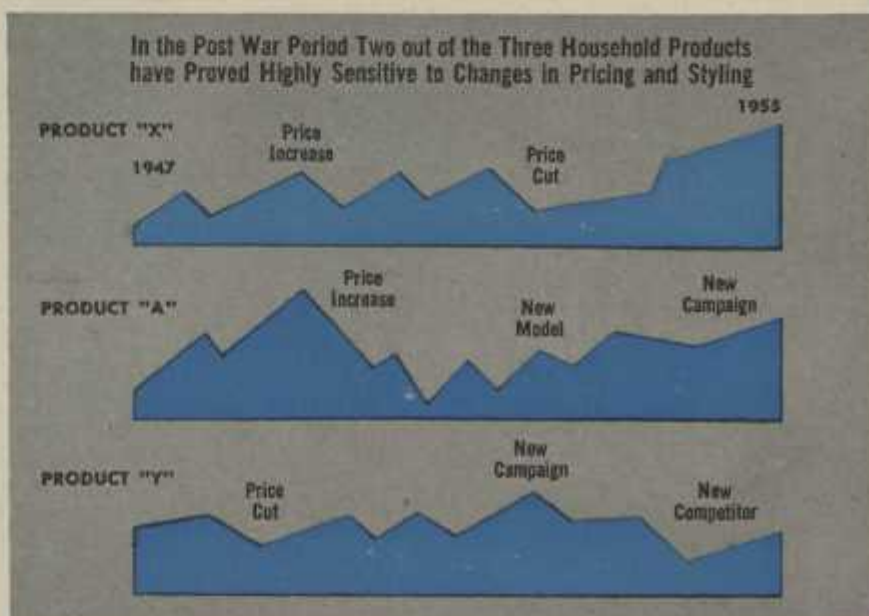
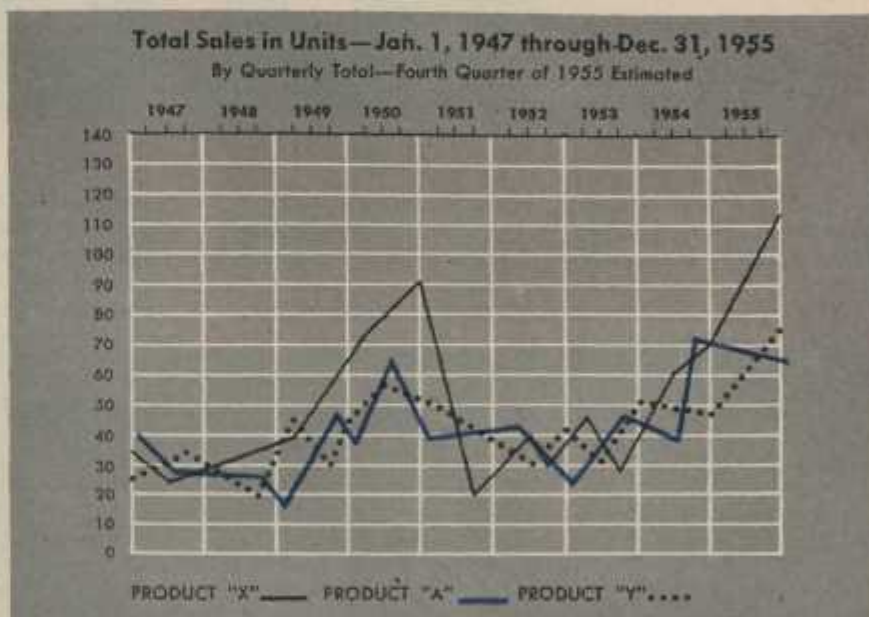
7. Repetition is needed. A chart is a subtle form of repetition. It repeats and spells out visually what the presenter is saying in words. Thus, the message reaches the brain through the eye and ear at the same time, and has an added impact.

Another form of repetition is the close association of ideas being presented.

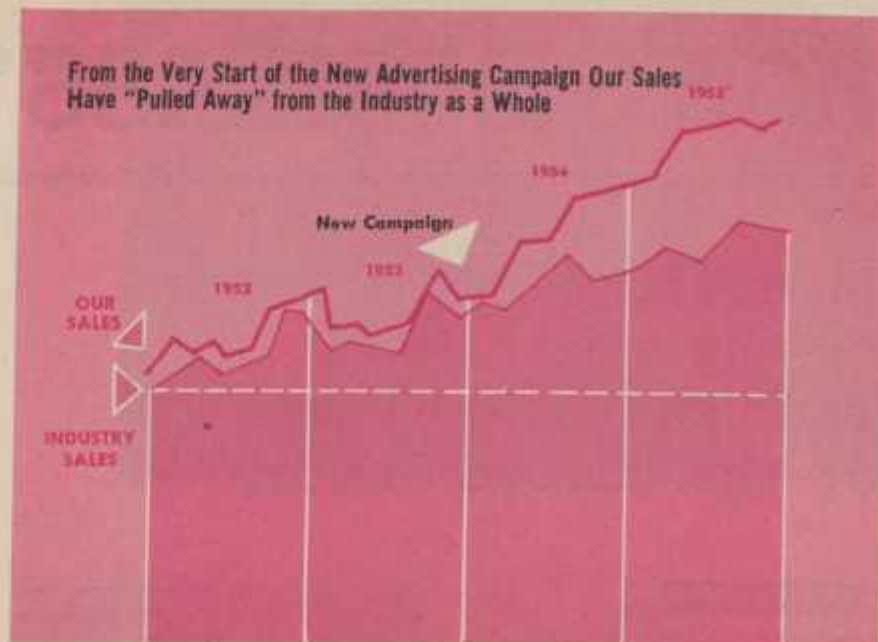
If these rules are kept in mind, ideas can be presented more efficiently, create a deeper impression, and win the good will of the audience. —TRIS COFFIN

REPRINTS of "How to Make Facts Stand Out" are available for five cents a copy or \$4.50 per 100, including postage, from Business Manager, Nation's Business, 1615 H St. N.W., Washington, D.C.

Comparison shows gain in clarity by pushing one idea at a time. In both cases point to be made is that two out of three products have proved highly sensitive to changes in pricing and styling



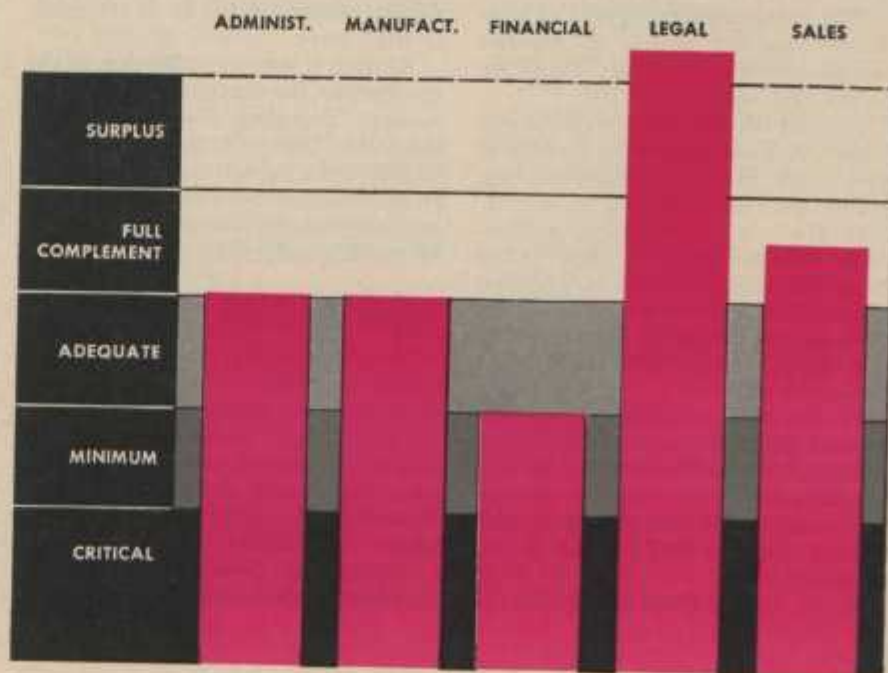
Presentation should have a definite target. This one shows how new advertising campaign affected company sales



Relationships are more important than statistics. Growth and decline can be illustrated simply



Company manpower situation at a glance. Again actual numbers would not give picture. Five in legal department could be too many, 200 in manufacturing too few



HOW'S BUSINESS? today's

An authoritative report by the staff of The Chamber of Commerce of the United States

AGRICULTURE

The outlook for the farm business is best for those farmers who recognize the present situation in costs and prices as a challenge that must be met by major adjustments in farm operations.

The prospect for a general increase in farm prices is not bright, and material reductions in the general level of costs are not in prospect.

Nor is there much hope of basically strengthening the situation by legislation. Intelligent farmers recognize that farm laws will do little to solve their major problems.

It is not politically popular to point to greater efficiency as a way to improve the farm business. But farmers themselves are realizing increasingly that failure to change from yesterday's efficiency to today's technology and price structure is an almost certain guarantee of a declining level of living, if not of failure.

CONSTRUCTION

The extraordinary figures of contracts awarded points to another record construction year. These indicate accelerated activity.

Each of the first three months was higher than corresponding months of past years. March, for example, was higher than any previous month except May, 1951, when the government awarded nearly \$1,000,000,000 of atomic energy contracts. The first quarter has thus set a new record.

Religious, hospital, institutional, and public buildings, to be sure, showed declines.

Residential contracts reached the highest point of record. Commercial, public utility and public works contracts broke all first quarter records, with public works exceeding \$1,000,000,000 for the first time in a first quarter.

F. W. Dodge Corporation, an au-

thority for these figures, notes that floor area—not applicable, of course, to public works and public utilities—as represented by contracts reached a first quarter high.

CREDIT & FINANCE

A fifth increase in the Federal Reserve discount rate within a single year—from $1\frac{1}{2}$ per cent on April 14, 1955, to $2\frac{3}{4}$ and three per cent on April 13, 1956—brought the kettle of conjecture on future trends to a rolling boil.

When this latest increase was coupled with unusually heavy bank borrowing from the Federal Reserve during April the inevitable result was an increase in interest rates all along the line. In some instances rates jumped to the highest levels since 1933.

Members of the banking fraternity early in May received multiple reassurances that the widely discussed credit squeeze was not the result of a planned program for heavy restriction of the flow of credit, or for forcing interest rates to an artificially high level.

Rather, it was a recognition of the free market fluctuations in the cost of money. Bringing Federal Reserve rates into line with the market was considered a logical move in the shift from managed low rates. Slackening of money market demand would also be quickly reflected.

DISTRIBUTION

Here's the first quarter picture (1956 vs. 1955) for the distribution businessman: Personal income, up about 6.5 per cent; personal consumption expenditures, up 5.5 per cent; retail sales, up 6.4 per cent (not seasonally adjusted); sales by merchant wholesalers, up ten per cent.

In the retail field, biggest gain was in general merchandise group, a 15.5

per cent increase, followed by gasoline service stations, the automotive group, and the apparel group. Sales for furniture and appliance and lumber, building material and hardware groups changed little.

Sales by merchant wholesalers: Durable goods sales were up 17 per cent; nondurable six per cent.

Shift in Easter buying to March caused an estimated two per cent drop in retail sales in April from previous April. Retail sales turned up again in May for an estimated gain of four per cent.

What's ahead? Dun & Bradstreet survey shows that 62 per cent of wholesale executives and 58 per cent of retail executives surveyed expect an increase in sales in third quarter of 1956 over like 1955 period.

FOREIGN TRADE

Private U. S. long-term investments abroad have increased from approximately \$11,000,000,000 in 1939 to more than \$26,000,000,000 today. The increase has been substantial, not only in the extractive industries, but in manufacturing and public utilities.

In some instances foreign import and exchange controls—many of them now being relaxed—have influenced American manufacturers to put up plants abroad in order to retain their overseas markets.

It is significant that, despite this shift toward local manufacturing operations, American nonmilitary exports last year hit a record \$14,000,000,000. This, coupled with a recent authoritative estimate that all international trade reached an unprecedented annual rate of \$87,600,000,000 in the latter half of 1955, indicates that the world as a whole is enjoying an economic boom.

GOVERNMENT SPENDING

As Congress nears the home stretch, the appropriation pattern has taken enough form to forecast the shape of things spending-wise during the next fiscal year. In brief—about as recommended in the budget. As usual, Congress has been adding a little here and pruning a little there from appropriations. Cuts slightly exceed the additions.

Thus the net, appropriations-wise, may be a little down as a result of

outlook

action at this session of Congress. But if the pattern of past years is followed, some of the cuts will be restored by supplemental appropriations next year.

The House has cut defense appropriations by about \$500,000,000, but this is largely bookkeeping and won't affect estimated spending. The foreign aid program is getting close scrutiny. The Administration asked for almost \$5,000,000,000 in new obligatory authority for this purpose for 1957 but the chances are it will get much less. Requested authority to make long-range commitments is not going to be as broad as asked for, and the over-all total is sure to be pared down.

LABOR

Three new inter-union fights have challenged the internal machinery of the merged AFL-CIO.

One challenge has come from Dave Beck's Teamsters. This union had worked out a mutual aid pact with the International Longshoremen's Association, expelled from the AFL on charges of racketeering.

President Meany of the AFL-CIO charged Mr. Beck with violating the merger agreement. Before the AFL-CIO Executive Council could study the question, the ILA withdrew from the pact. Nevertheless, the Council is almost sure to condemn all such pacts. Another test came when the Building and Construction Trades Department of the AFL-CIO asked local affiliates to halt all merger efforts until the Industrial Union Department (largely made up of former CIO unions) agrees that construction unions will have jurisdiction over construction work which expands existing industrial plant facilities.

The AFL-CIO Executive Council ordered local merger efforts resumed.

The third fight involves the personal prestige of George Meany as AFL-CIO spokesman on international issues. Walter Reuther, visiting India, disagreed with Mr. Meany's criticisms of Prime Minister Nehru as an ally of communism.

NATURAL RESOURCES

Municipal elections in several parts of the country indicate a possible trend away from public owner-

ship of local electric systems. Business management of even the smaller utilities is bringing significant reductions in average residential rates.

Citizens of Morton, Ill., have voted three to one to sell the village generating and distributing system to a local private company. Voters in Newton, Miss., favored a 25-year franchise to a private utility after rejecting a proposed bond issue to build a city-owned system. Members of the Sandy Electric Co-op voted April 26 to sell out to Portland General Electric Company.

After winning in a local election last November over a Public Utility District, Washington Water Power Company, Spokane, now proposes to buy a small local company which was about to be displaced by a municipal power system.

Electrical load growth is catching up with many small municipal power plants. Additions of small capacity in such plants are costly and tend to keep rates high. Integration with, or outright sale to, a private company, with its greater financial and plant capacity, permits costs and rates to drop.

TAXATION

A progressive income tax for corporations has again been proposed. The proposal would provide a tax premium for smallness and impose a tax penalty upon those now arbitrarily called big.

The purpose would be to help small corporations grow. But—growth of small enterprise into what is classified big would automatically carry with it an increasingly severe penalty. The penalty would be measured only by the amount of annual income, without consideration for efficiency of operation, size of investment, relative size of the business within the industry, or any of a dozen other factors which determine

the real size of an enterprise. Also involved would be a double progression in the taxation of corporate income; first, as income to the corporation, and next as income of individual shareholders.

The progressive income tax on individuals originally imposed little or no burden on small or middle income taxpayers. Since 1913 this has changed until today the heaviest burden of progression falls in the middle brackets.

It could happen again. We would impose a new penalty on success.

TRANSPORTATION

Prospects for a greatly expanded federal-aid highway program now before Congress have caused speculation as to the effects of such a program. Here are some estimates:

At least 500,000 new jobs would be created for highway engineers, skilled and unskilled labor of both men and women.

Need for new and replacement road building machinery would reach a peak of 95,000 pieces annually. In addition, 77,000 trucks and work cars would be needed.

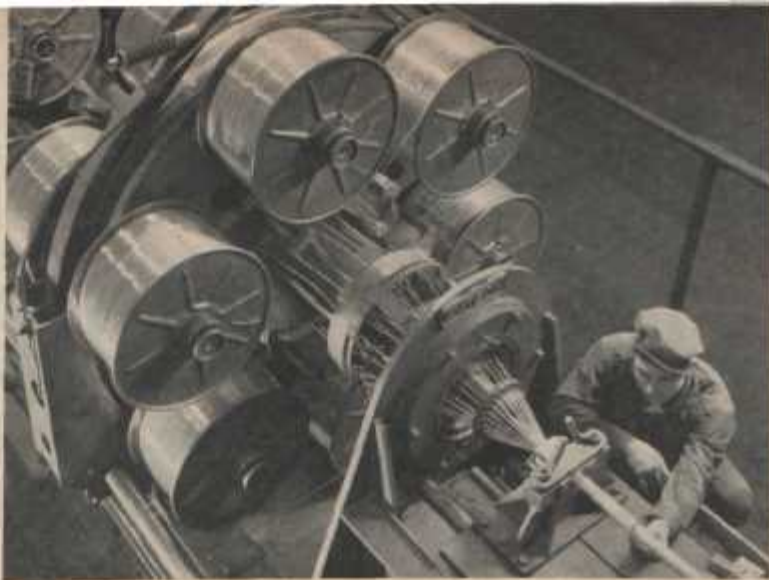
The peak demand for cement would be 161,000,000 barrels—an increase of 220 per cent over 1954.

Production of bituminous materials would increase to 13,000,000 tons—117 per cent.

If road construction expenditures reach \$11,000,000,000 annually, seven times as much steel will be needed as was used for highways in 1954. This does not take into account steel needed for road building machinery and motor vehicles.

The highway contractors were operating at about 50 per cent capacity in 1954. They would require expansion to handle the program.

Savings to motor vehicle owners and operators are estimated to be \$5,000,000,000 annually.



AUTHENTICATED NEWS

UNIONS' STAY-PUT TACTICS COST MILLIONS

Labor wants four-point legislation curbing business incentive to move. Companies planning new locations face pressures and penalties

UNIONS are stepping up efforts to discourage movement of industry.

Cash penalties and other devices used for this purpose cost business and ultimately the consuming public millions of dollars, and in some cases restrict business growth.

Labor tactics, defended by leaders as necessary to protect the jobs, wages and working standards of union members, include:

- ▶ Cash penalties for nonunion production in a new branch plant.
- ▶ Limitation or outright ban on outside production or moving of a business.
- ▶ Severance wage payments.
- ▶ Attempts to increase unionization, repeal state right-to-work laws, raise the legal minimum wage level, and eliminate regional wage differentials.
- ▶ Loans to employers in financial distress.
- ▶ Proposals for federal and state legislation to curb financial inducements offered by some cities and states to attract industry.

Examples of cash penalties are numerous in the garment and cap industries.

The AFL-CIO United Hatters,

Cap and Millinery Workers International Union, for instance, wanted the American Needle and Novelty Co., which operates two cap manufacturing plants in Chicago and Harrisburg, Ill., to pay damages of 50 cents to \$1.50 a dozen for any cap production transferred to a new community-built plant the company was planning to operate in Franklin, Ky. The union would have distributed the cash penalties collected to the 200 employees in the two Illinois plants to make up wage losses.

After next Jan. 1, if the new plant was not unionized, the company would have to pay damages on all cap production in that plant until the union obtained recognition. The rate of damages within the range of 50 cents to \$1.50 would depend on the quality and cost price of the caps.

The union president, Alex Rose, described the penalty as an incentive for unionization of the Kentucky plant, where about 100 were to be employed.

As a final check on the management, the union wanted a commitment that, if business dropped to the point where either of the Illinois plants had to close, the laid-off work-

ers would be given four months' severance pay.

Three months after the union announced this agreement, an official of American Needle and Novelty told NATION'S BUSINESS that the planned move to Kentucky had not been made. He preferred not to discuss the reasons why.

Mr. Rose says that his union does not oppose business expansion. He insists it is only seeking to protect the jobs and wages of employees in the North against "substandard operations in the South."

This same union struck the Hat Corporation of America for 11 months in 1953-54 in protest against company plans to move operations away from South Norwalk, Conn. The corporation recently announced a \$1,500,000 pension plan for its 1,200 employees, which indicates it plans to stay in South Norwalk for at least ten more years.

A New York garment manufacturer is paying \$250,000 over a four-year period to the AFL-CIO International Ladies' Garment Workers Union to make up, or neutralize, the labor costs it saves by operating two nonunion plants in the South. The manufacturer is paying the union ten per cent of its southern payroll during the first two years and 16½ per cent during the second two years. This is how much the union figures the company is saving in the South in reduced pension, welfare and other benefit costs and in being able to use a 40-hour week.

In the North, the union has imposed a shorter workweek. It recently dropped from 37½ to 35 hours, which is the reason why the cash penalty for southern production rose from ten to 16½ per cent of payroll half way through the four-year period. That is when the 35-hour week became effective in the North.

Weekly take-home pay is about the same for the company's employees in both the southern and New York operations, but the company gets more production in the South.

The garment firm expanded into the two municipally financed plants in two southern communities, with promises of long-term exemption



To offset labor savings, one firm pays the union **10%** of the payroll of its southern plants; after two years—**16½%**



For union legislative proposals see page 52



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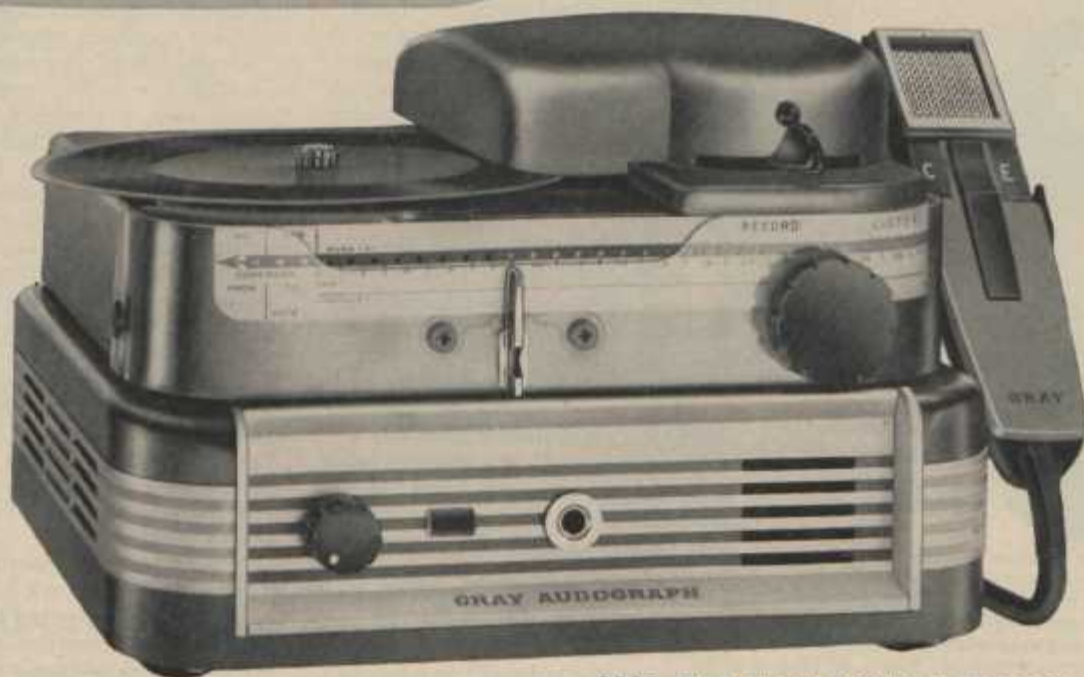
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WHERE BIG THINGS ARE HAPPENING FOR YOU!

UNION TACTICS

continued

from local taxes, during World War II. It had been unable to expand in New York or other large industrial centers because of labor shortages.

The ILGWU imposed the penalty on the company when, despite a co-operative management attitude, it was unable to unionize the 300 employees in the two southern plants because of strong opposition from the townspeople and apparent reluctance of the employees to join up.

The manufacturer was agreeable to unionization in the South because his New York agreement with ILGWU forbids any nonunion operations, but he could not prevail over the will of the southern communities and employees. He was on a spot.

The union could compel him, under his New York agreement, to cease the southern operations or pay heavy monetary damages for contract violation; or, it could strike the New York cutting operations and thereby shut off the flow of cut material to the southern plants, thereby idling them.

"The union had me by the throat," the manufacturer told the press at the joint company-union announcement of the \$250,000 agreement. ILGWU President David Dubinsky regards the agreement as a "reasonable and satisfactory" solution of a difficult problem for both company and union.

The penalty will likely continue as long as the southern plants are operated on a nonunion basis. At the time the agreement was disclosed, the manufacturer asked that his company not be identified so as to avoid embarrassment to the two southern communities involved.

The union will not disclose what it is doing with the fund. If the southern plants become unionized, Mr. Dubinsky said, the money will be distributed among the employees as retroactive compensation for losses suffered while working under nonunion conditions. If they remain nonunion, the bulk will be contributed to charitable causes, he said.

Two experts on the Taft-Hartley law have suggested that this contract is not enforceable and that the \$250,000 payment to the union violates the Taft-Hartley ban on employer payments to union officials. In a statement at the time the agreement was closed, Gerard D. Reilly, former member of the National Labor Relations Board, and Thomas E. Shroyer, both of whom helped draft the labor law in 1947 as counsel for the Senate Labor Committee, said:

"The [Taft-Hartley] Act makes it illegal for an employer to pay and for a union representative to receive money except for certain specified purposes—checkoff of union dues, the sale of a commodity, or a jointly administered trust fund for employee pensions or welfare.

"A contribution to a union treasury for the privilege of doing business either with or without a union is not listed among the permissible payments, because Congress was obviously trying to stop union officials from soliciting money in consideration for abstaining from organizing activities or inducing strikes.

"Numerous instances of practices of this character had been cited at the hearings and even the most pronoun members of Congress expressed no opposition to the provision intended to prohibit such conduct."

Referring to the ILGWU contract itself, these men added: "This contract was patently unenforceable, for under other provisions of the Act, a contract requiring union membership as a condition of employment is valid only if the union represents a majority of the employees. Here, both parties recognized that the union had no representation in the two disputed southern plants.

"Under these circumstances, no court of law would ever have enforced such a contract. Moreover, had the matter come before the National Labor Relations Board, that agency would have been compelled to hold any attempt to enforce it an unfair labor practice on the part of both union and employer."

ILGWU is collecting other cash penalty payments from other businesses in other ways.

The union obtained a \$50,000 settlement from a ladies' garment manufacturer who moved from New York to North Carolina and operated under a new name. The union distributed the money to former employees in New York.

It also won an award of \$60,000 from three New York blouse manufacturers for importing blouses from Japan. The impartial chairman of the New York women's neckwear industry held that the imports violated an ILGWU contract clause which requires that the manufacturers make their blouses in shops unionized by ILGWU.

The penalty instigated by ILGWU was ironic in view of the union's activity in international affairs. ILGWU has been among the leaders of unions urging lower trade barriers as an aid to world peace. Through the International Confederation of Free Trade Unions it has also been trying to foster the growth of demo-

how to judge a fluorescent lamp . . . point no.

5



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UNION TACTICS

continued

cratic unions and higher living standards in Japan.

ILGWU has used other tactics in Appomattox, Va. It built a \$40,000 plant there which it leased at nominal rent to a dress company. This company was going to recognize the union, of course, and pay 300 employees wages 12 cents higher than those prevailing in the area.

To another garment manufacturer in Appomattox, the union made a \$20,000 loan to enable him to expand and open up 100 more union jobs.

The resulting higher union pay and 400 new job openings created pay and manpower problems for another garment manufacturer who had moved to Appomattox from New York and severed his relations with ILGWU in the process.

Some companies have been forced into contracts requiring consent before they may move out of a city.

Early this year the pocketbook workers branch of the AFL-CIO International Leather Goods Workers Union complained that Centra Leather Goods Corporation had moved a substantial part of its operations, machinery, equipment and goods to Frederick, Okla., in violation of the union contract.

The pocketbook industry's impartial chairman, Theodore W. Kheel, agreeing that the company violated the contract, ordered Centra Leather Goods to move back to New York City all machinery, materials and other effects sent to Oklahoma; pay back wages to all employees who were laid off or otherwise lost wages as a result of the move; employ only union members in good standing at union wages and under union conditions; refrain from any layoffs or discharges, and rehire, insofar as available work permitted, employees previously laid off.

Mr. Kheel noted in his decision that the company had unsuccessfully sought to move to Maine last fall and, further, that the union and the then American Federation of Labor had offered to help the company try to obtain a small business loan from the federal government if it would continue in New York.

An example of a contract clause covering this type of restriction is the following from the agreement (which has two years to run) between the Men's Clothing Association in Milwaukee and the AFL-CIO Amalgamated Clothing Workers:

"During the term of this agreement the employer agrees that he shall not, without consent of the union, remove or cause to be removed,

CLARK lowers costs, lifts morale with COTTON TOWELS*



*Fairfax Towels used by Clark Equipment Company are supplied by Banner Linen Service, Battle Creek, Michigan

● From the Industrial Truck Division of Clark Equipment Company, Battle Creek, Michigan, comes a wide variety of fork lift trucks for the Army, Navy, Air Force and industrial users. With over 2,000 employees and a vast, sprawling plant, management is naturally concerned with high housekeeping efficiency and the well-being of its "family." To meet both requirements, Clark sees to it that fresh Fairfax cotton towels are always available in all plant and office washrooms.

On the efficiency side of the ledger, Clark finds that cotton towels reduce costs, require little storage space, no inventory. On the employee relations side, they know their employees like the comfort and freshness of cotton, like the better appearance of their rest rooms.

Let the experience of sound management be your guide—give the towel job to cotton in your office building, plant or institution. For free booklet on how cotton towel service will help you, write Fairfax, Dept. N-6, 65 Worth St., New York 13, N. Y.

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Clean Cotton Towels . . .

Sure Sign of Good Management

Fairfax Towels

A PRODUCT OF WEST POINT MANUFACTURING CO.
WELLINGTON SEARS CO., SELLING AGENTS, 65 WORTH STREET, NEW YORK 13



UNION TACTICS

continued

his present plant or plants from this city or cities in which such plant or plants are located."

More unions are insisting on severance pay when a business closes or moves.

ILGWU negotiated a requirement for such payments from two associations representing 300 New York garment shops making infants' coats, snow suits, ski suits and sportswear. The five-year pact, effective this month, promises 7,500 employees one week's severance pay for each year of employment if their employer ceases operations or moves his business away from New York City.

Schick, Inc., settled a dispute with the AFL-CIO International Association of Machinists by agreeing to pay severance pay, estimated at \$500,000 by the union, to employees left in Stamford, Conn., when the business was moved to Lancaster, Pa., last year. The employees got vacation pay and \$25 for each half year of employment.

American Safety Razor Corporation was forced to leave Brooklyn to make room for a civic center development. To ease the impact of its move to Staunton, Va., it assured

jobs and moving expenses to employees—members of the independent United Radio, Electrical and Machine Workers Union—willing to move to the Staunton area; and offered others severance pay of one week for each year of service for employees under 60 years old and one and a half weeks for each year for those 60 and over. Employees over 65 with 25 years of service were offered minimum pension of \$125 a month.

It is not unusual for unions and employees to make cost-cutting concessions to induce an employer to stay in business and stay where he is.

Employees of Otis Elevator Co., represented by the AFL-CIO United Electrical Workers, voted in a poll conducted by the Honest Ballot Association to cooperate in a management plan to cut production costs. The plan did not involve pay cuts; it stressed modernization of the plant, conservation of tools, supplies and equipment, and a reduction in nonproductive practices.

Members of an independent union at the Baystrom Furniture Co., Olean, N. Y., voted to take a 12-cent hourly pay cut to keep the company from moving to another city.

Conversely, employees of Sparks-Withington Co., of Jackson, Mich., last year refused to take an 18-cent wage reduction. The company said

that it had to cut wages or move if it was to stay competitive in radio-television manufacturing. The company said an independent survey of the industry showed its wages were 29 cents an hour above the industry average. The 1,500 employees are represented by the AFL-CIO United Automobile Workers.

Unions at times have made direct loans to employers to keep operations going.

The Hatters Union lent the Kartiganer Hat Corporation \$250,000—\$50,000 from the union treasury and \$200,000 in \$200 loans from union member employees—to keep it from closing two of its three plants in Beacon, N. Y., and Upton and Milford, Mass., two years ago.

Labor is seeking more uniformity in wage levels, in working conditions, in labor legislation, and in tax laws and tax benefits as a major deterrent to industry shifts.

ILGWU has been busy in Puerto Rico, for instance, trying to stem the migration of garment shops from New York to that island. Mr. Dubinsky has sat on special wage-hour committees to recommend increases in the legal minimum wage in Puerto Rico and has urged Congress to narrow the minimum wage differential between the island and the mainland. Just a month ago the Puerto Rico minimum for employees in suit, coat, jackets, necktie, hat and cap shops was raised from 55 to 60 cents an hour. ILGWU has intensified its organizing in Puerto Rico.

AFL-CIO's major organizing drive, to be concentrated in the South when present obstacles are overcome, is part of the effort to achieve uniform wages and conditions. Progress in the South has been slowed by the fight over racial integration, which AFL-CIO supports and many of its southern leaders oppose.

In the legislative field, ILGWU's last convention, in 1953, passed a resolution calling on Congress and state legislatures "to enact legislation outlawing the direct and indirect subsidization by municipalities of business enterprises, which subsidization exploits workers and taxpayers."

The convention's resolutions committee stated: "The official encouragement given by small municipalities to runaway shops has grown in importance—and in danger. So-called development programs have been started in many semirural areas, designed to lure plants away from established markets with the promise of free plants, free power, lower taxes or no taxes at all, and above all, on the promise of cheap, nonunion labor.

"We do not, of course, oppose the

LABOR ASKS THESE CONGRESSIONAL ACTIONS ON INDUSTRY TRANSFERS



An investigation by Congress of the practice of luring industries to new locations. Investigation would probe extent, effect of the activity



Elimination of subsidies offered to firms by local governments. Also lifting of tax exemption from bond issues for industrial construction



Boost in minimum wage to eliminate regional wage differentials—and support of U. S. right to set industry-wide minimums for government work



National system of jobless pay benefits to eliminate other differentials in state labor standards, plus amendments to Taft-Hartley law



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They are the strong and sensitive hands of a surgeon. They are skilled in the use of hundreds of delicate instruments. They are moved by a mind with an intimate knowledge of human anatomy.

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UNION TACTICS

continued

industrialization of new areas. We do, however, oppose the exploitation of workers and the destruction of existing wage and working standards inherent in these schemes."

A special committee of the AFL last year investigated the problem of industry moving from one location to another and leaving "large numbers of workers stranded when plants were closed down."

It issued a report and legislative recommendations which AFL-CIO President George Meany said he hoped would "serve to focus necessary attention on this disturbing development in our economy."

The four recommendations are:

1. Congress should conduct a thorough investigation of the practice of persuading industry to abandon one location to transfer to another. The investigation should examine into the extent of the practice, the methods used, and the disruptive effects.
2. Financial subsidies offered to industrial firms by municipal or other local authorities should be eliminated. Federal tax exemption should be lifted from bonds issued by local public bodies to finance industrial construction. Savings in plant, machinery and equipment costs resulting from special community concessions should be deducted from business expenses for federal income tax purposes.
3. To reduce and gradually eliminate regional wage differentials, the federal minimum wage should be raised from \$1 to \$1.25 an hour, there should be no question of the Secretary of Labor's right to set industrywide minimum wages for work on government contracts, and effective minimum wage laws should be passed by the states for workers not covered by the federal minimum.
4. To eliminate other differentials in labor standards among the states, Congress should adopt a national system of unemployment compensation benefits; the Taft-Hartley law should be amended, particularly Section 14(b) which recognizes state right-to-work laws; companies violating orders of the National Labor Relations Board should be denied government contracts, and the 18 state right-to-work laws prohibiting compulsory union membership should be repealed.

END

REPRINTS of "Unions' Stay-put Tactics" may be obtained for five cents a copy or \$4.50 per 100, including postage, from Nation's Business, Washington 6, D.C.

Merchandising enters new field

CONSIDER a product:

That is a standard, convenience item.

That people either want or don't want.

That has not changed its model in hundreds of years.

Could you increase its sales from 30 to 100 per cent?

Lawrence B. Darrah, Cornell University professor of marketing, could—and did.

The product was eggs.

It is difficult to restyle an egg—although Professor Darrah is preparing to do that, too. But, so far, using only convenience and display, he has increased sales in some instances from 30 to 100 per cent.

Professor Darrah is an agricultural economist. When he was put in charge of the Cornell Agricultural Experiment Station's research program to help farmers sell more eggs, he applied basic merchandising techniques:

To aid families who suddenly find themselves out of eggs on a Sunday or holiday, Mr. Darrah has devised an egg-vending machine that provides quick self-service anytime, day or night. Refrigerated or heated, these machines, when put into commercial production, can be placed in factories, office buildings, service stations, roadside markets, and other spots convenient to customers who merely insert the required coins and pick up a dozen eggs.

The machine holds 100 dozens, medium or large, in any type of standard carton. It is insulated and refrigerated to maintain quality or heated to prevent freezing.

It is weatherproof and may be used inside or outside. A machine built by the Rowe Manufacturing Company of New York through an arrangement with Cornell University is now being tested on the university campus at Ithaca, N. Y. Professor Darrah says its sales average about 200 dozen a week.

To push retail sale of eggs, Professor Darrah has come up with a refrigerated sales case which provides ideal temperature and humidity conditions. Many food stores are already using these cases. Col-

ored transparencies in an advertising panel at the top of the case show tempting egg dishes and delightful farm scenes to convince the housewife that eggs are something she can't do without.

In one upstate New York supermarket using the case, egg sales were 111 per cent higher than in stores without it.

Then Professor Darrah carried the research experiment another step. He took the case away. Five months later sales were back to where they were before the case was installed.

Professor Darrah has also devised an egg carton with picture windows. The idea is to put the eggs in full view of the customer.

Three types of cartons with varying amounts of window space were developed. One with six small windows provides a 25 per cent view.



A three-window carton has 40 per cent visibility. A third type has two windows covering 50 per cent of the carton top.

In sales tests, 79 per cent of the customers bought windowed cartons instead of the regular containers. More than half chose the two or three window type.

Encouraged, Professor Darrah and his research aids set out to develop a new plastic egg carton to allow full visibility on all sides. Where these plastic cartons have been sold in stores, egg sales jumped 30 per cent.

Analysis of egg marketing reveals the importance of eggshell color to sales. Some sections regard brown shell eggs as best. Other sections prefer white shells. For those with such preferences, the window cartons permit a quick choice.

In some parts of the country, too, color of the egg yolk is a consideration of quality. Slight variations of the preferred hue quickly wrinkle

the noses of the most critical egg customers.

For those who would desire a peek at the yolk color before purchase, Professor Darrah and his Cornell research associates have now devised a method of stripping off the shell.

In this naked state, the eggs are placed in plastic packages with 12 compartments. Each compartment holds one egg. In the case of smaller eggs, each compartment holds two.

Thus the customer can see the egg without cracking the shell and can select the shade of yolk desired.

In commercial practice, the eggshells will be broken by an automatic egg-cracking machine. An electric device detects bad eggs and casts them aside.

The eggs are sent through a special heat sealing machine and then they're ready for the market place.



The quality of the eggs is maintained by adding carbon dioxide. This shouldn't scare anyone, Professor Darrah says, because eggs are alive and give off carbon dioxide just like all living things. The naked eggs can be kept without refrigeration, although the professor says they keep even longer if they are refrigerated.

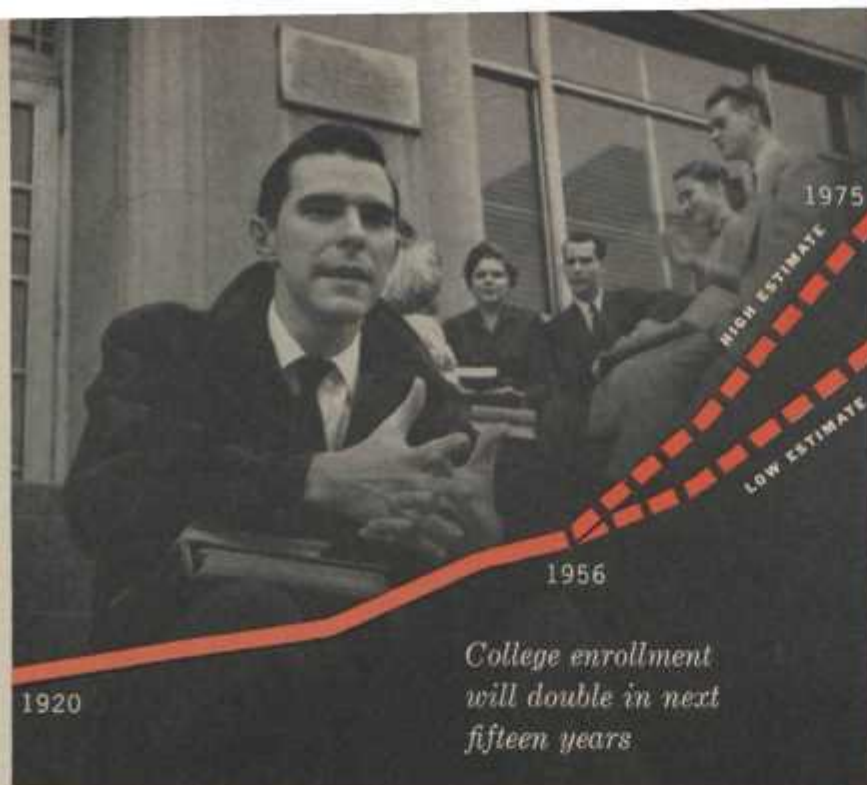
Professor Darrah insists these eggs taste better than eggs in the shells. What's more, the new container allows the housewife many conveniences not now enjoyed. For example, the eggs can be cooked and eaten right from the plastic containers—no shells to clean away, no dishes to wash, no tedious peeling.

Some marketing authorities doubt that peeled-egg packaging will vastly increase egg sales because cracking eggshells is not one of the housewife's most onerous tasks. Tradition, too, will play a part. While the modern housewife expects progress, some marketing experts suspect she may object to pre-cracked eggs.

For those customers, however, who prefer yolks of pale lemon yellow—as New Yorkers do—or any other shade, the naked egg package will probably catch on, marketing experts say.

Incidentally, the color of egg yolks can be controlled by diet, so that pale lemon yellow is not difficult to achieve.

Matter of fact, any color at all can be arranged. This offers some interesting possibilities, particularly at Easter time.—E. HALE JONES



EDWARD BURKE PHOTO

Crisis building up in college classrooms

Business needs increasing numbers of university graduates but facilities lag behind potential entrants. Four big questions point up problem

STUDENTS in American colleges and universities may increase by 60 per cent in the next ten years and the nation faces the problem of where to put them.

The increasing business need for college trained people extends as far into the future as can be seen. Yet a great share of the present interest in education stops at the high school level.

These and other problems facing higher education are now under study by President Eisenhower's recently appointed Committee on

Education Beyond the High School. Headed by Devereux Colt Josephs, New York insurance executive, the committee was appointed to make recommendations regarding how to provide for the rapidly mounting college enrollments; how to meet the shortages of highly trained personnel in scientific and professional fields; and how to keep exceptional students in training until they develop their highest skills.

Major questions facing the committee include:

► Shall higher education be offered

to all who are willing and able to take advantage of its opportunities?

► Whose responsibility is it to provide the facilities for higher education?

► Will educational standards deteriorate?

► Where is the money coming from?

These questions stem from these basic facts:

1. College-age youths are rapidly increasing in numbers. The 3,411,000 children born in the first post-war baby boom year, 1946, will reach college age in 1964. The 4,091,000 children born last year become eligible for college in 1973. College-age youths, those 18-24, now number 15,100,000. This figure, the lowest in a quarter century, will rise to 20,000,000 in 1965, and to 28,000,000 in 1975.

2. A larger proportion attend college. In 1900 higher education enrollments equaled two per cent of those aged 18-24. The figure increased to nine per cent in 1940. It is 20 per cent today. The trend shows no signs of diminishing—last year 18-year-old youths increased 2.4 per cent, but first-year college enrollments were up seven per cent.

3. Parental urge for children to attend college is increasing. Most parents wish to give their children better educations than they had. The increasing proportion of college-trained parents will inspire more and more young people to attend college.

4. More families can meet college education expenses. Increasing numbers of families are moving into higher income levels. For example, in terms of present purchasing power, families with incomes of \$5,000 and more numbered 5,000,000 in 1939, but now number 16,000,000.

5. Youths see financial rewards in college education. College training is popularly associated with higher incomes and more desirable occupations. Many engineers are this spring beginning their careers with \$400 monthly salaries, while many accountants, salesmen and general business trainees are receiving \$350.

6. Business and industry demand increasing numbers of college-trained employees. About half of all college-trained persons are employed by business, not only in technical positions, but as salesmen, operatives, and in other occupations. Employers in Bergen County, N. J., according to a recent survey of the Bergen County Chamber of Commerce, now employ 2,856 college trained personnel, but in 1960 will require 7,776 employees with college



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COLLEGE CRISIS

continued

degrees, and 17,788 additional employees with some college training. Greatest expansion will be in labor and management, technical supervision, electronic technician, production control and quality control fields.

Maj. Lenox R. Lohr, Chairman of the Illinois Higher Education Commission, has emphasized the seriousness of the problem:

"The people and the officials of our country and our state must be thoroughly aroused to the inherent dangers of the situation and be willing to make whatever sacrifices are necessary to meet the coming crisis."

The number of persons of college age during the next two decades can be forecast with reasonable accuracy, but actual college attendance will depend upon economic conditions, instruction facilities, attitudes of colleges regarding increased enrollments, availability of scholarships, and other factors.

If the proportion of college-age youths attending school remains unchanged, the 1965 enrollment will be about 4,000,000 and the 1975 enrollment about 6,000,000, but if the recent rate of increase continues, enrollment will reach about 5,000,000 in 1965 and 8,000,000 in 1975.

Because constructing buildings and training professors takes time, we need to consider at once how this influx is to be handled.

Looking first at our present plant and personnel—and efforts to enlarge them—we find this:

Facilities:

Our privately controlled higher education institutions number 1,203, including universities, liberal arts colleges, teachers colleges, technological schools, theological schools and junior colleges. The proportion of students attending private institutions has dropped steadily from 62 per cent in 1900 to 51 per cent in 1930, and is now 44 per cent. This drop will certainly continue. Higher education enrollment since 1951 has increased 605,000, but private schools took only 20 per cent of the increase.

Private colleges depend primarily upon endowment income and upon gifts for expansion funds; upon tuition and endowment income for operating expenses. Endowment income dropped sharply in recent years because of lowered interest rates, while the income received buys less because of higher prices. Gifts from wealthy individuals have de-

creased, as higher tax rates mean fewer persons in the upper income brackets. Corporate and foundation giving has increased, but it is far from ample. Tuition fees have increased sharply, but many private colleges are in desperate financial straits. About half of all private higher education institutions operate in the red. Primarily due to lack of funds, most private colleges plan only limited, if any, expansion. Many plan to remain at their present size, but raise their standards.

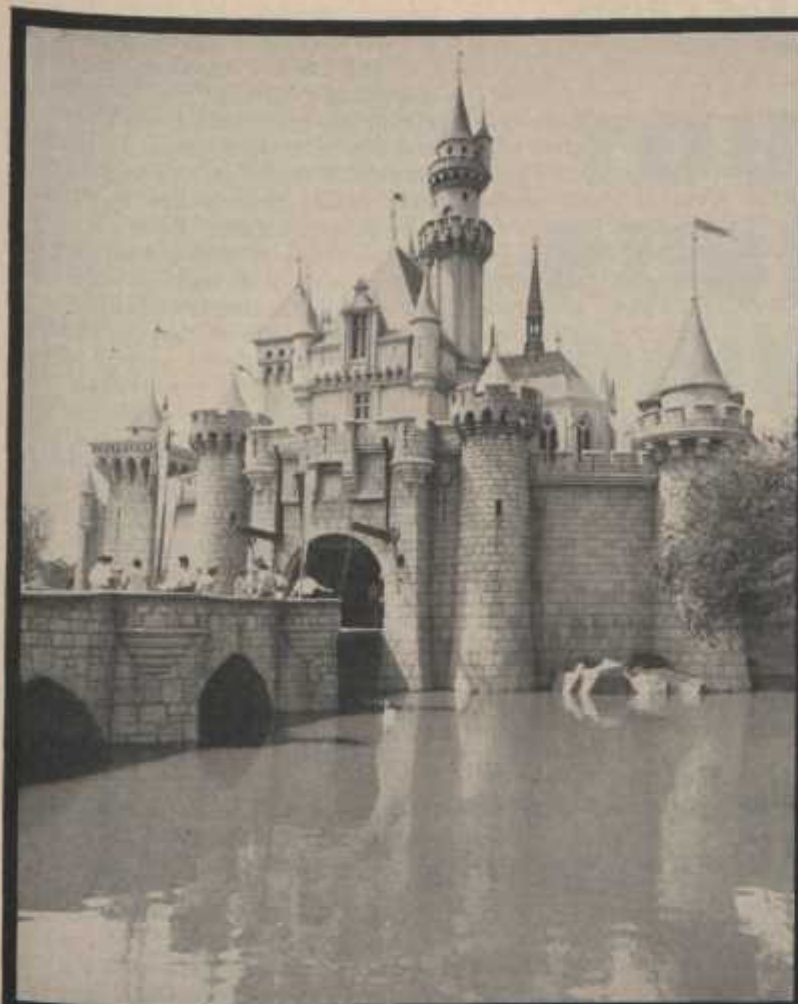
Major expansions are planned by the community junior colleges, which now number 292 and enroll 298,000 students, an enrollment increase of 172 per cent since 1946. Playing a multiple role, these institutions prepare students for senior college work, weed out those not equipped for four years of college, and provide terminal courses of varying length in a wide variety of fields. They are relatively inexpensive to build, and the annual cost per student is roughly half that of four-year colleges. Some junior colleges have no campus, but consist of evening courses offered at local high schools.

Students like junior colleges because education can be obtained near home, and money can often be saved toward their third and fourth years of college. Junior colleges also provide education beyond high school for many students lacking ability to complete four years of college. A variety of one-, two-, three- and four-year programs are offered in business, secretarial, technical, scientific and other fields. Terminal programs are offered which do not bear the stigma of failure that often marks completion of only two years at institutions with four-year programs.

Financial arrangements for junior colleges vary widely. New York junior colleges receive one third of their operating expenses from the state, one third from the sponsoring institution, and one third from student tuition fees. Illinois and Michigan junior colleges receive fixed fees per student from the state. Some states operate junior colleges as part of the state school system. Most junior colleges depend largely upon tuition fees for operating expenses.

Most community junior colleges have no funds available or authorized for expansion, but with community support some funds can be obtained. Considerable corporate and individual giving will also be needed. The amount of gifts received will depend largely upon how well the schools are fulfilling the needs of their communities.

Major share of the increased enrollment will probably fall upon



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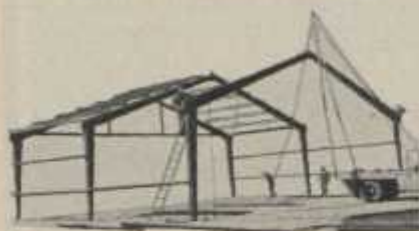


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COLLEGE CRISIS

continued

state institutions. This will sharply increase state taxes for higher education. A recent Connecticut Public Expenditure Council study shows Connecticut's five state higher education institutions now enroll 15,740 students and cost the taxpayers about \$10,000,000 a year. The study estimates that these five institutions must enroll from 33,800 to 45,340 students by 1965, with annual operating costs of \$30,000,000 to \$40,000,000. Also, a state institution building program of \$56,000,000 to \$92,000,000 will be required.

State institutions must present their case for expansion to legislatures, facing strong competition from other state agencies for the available tax revenues. Expansion programs will also usually require public vote on the bonds. This expansion will require public willingness to accept higher taxes suffi-

cient to provide new buildings and to meet the higher operating costs.

Substantially increased taxation discourages private and corporate giving to educational institutions, and also affects the capacity of students and their families to pay tuition should they choose to attend private institutions. When taxpayers must pay a substantial part of higher education costs in state institutions for students who can afford those costs, part of the tax burden falls on families who cannot afford to send their children to college.

With expenditures mounting for other necessary state services and calling for increased taxes, political and economic resistance could well prevent a 200 per cent to 300 per cent increase in the tax bill for higher education.

Teachers:

College professors now number about 200,000, but 400,000 to 500,000 will be needed by 1970, and

PROFESSORS LOSE BUYING POWER

How the purchasing power of college professors has declined compared with other occupations

	Average actual earnings		Change in real purchasing power*
	1929	1953	
Professors (large state universities)	\$4,348	\$7,000	-10%
Assistant professors	2,691	4,600	-1%
Instructors	2,003	3,700	+10%
Physicians	5,224	15,000	+48%
Dentists	4,267	8,500	+10%
Automobile workers	1,813	4,947	+57%
Bituminous coal miners	1,293	4,198	+90%
Railroad engineers	3,400	7,352	+21%

* These comparisons allow for the changes in the cost of living, and in federal income taxes for a married man with two children. Source: The Fund for the Advancement of Education

faculty members are already in extremely short supply. Good education requires good teachers, and there just are not enough good teachers to go around. Unless drastic corrective measures are taken, the shortage will become progressively worse. Nearly half of our colleges and universities have vacancies that are unfilled because there are no qualified candidates.

About 40 per cent of our college and university faculty members now have Ph.D. degrees. This degree is no hallmark of good teaching, but it does represent a certain measure of achieved scholarship. Less than 9,000 Ph.D. degrees are granted each year, and only about half the recipients become college teachers. By 1970 probably less than 20 per cent of the college professors will have doctorates.

Major problem in getting and holding good faculty members is salaries. The salaries are low, and advancement is not based on performance, but on the basis of time served and credits accumulated.

College salaries have shrunk in purchasing power until their present low level presents a grave menace to the whole higher education system. Salaries for professors in large state universities rose from \$4,245 in 1940 to \$7,000 in 1953, but after adjusting for price and income tax changes, the real purchasing power declined 24 per cent.

Many faculty members find themselves recommending newly graduated students to positions paying higher salaries than the professors have achieved after many years of graduate study and teaching experience.

What's being done

Bold experiments are under way, and if new teaching methods are adopted, they can help materially to alleviate this crisis. Several schools are experimenting with better utilization of teachers, giving older and more advanced students opportunity to help instruct younger students, cutting down the amount of spoon feeding, and giving the students greater opportunity for independent study and creative work. Other schools employ teacher aids to relieve professors of clerical duties and other nonprofessional tasks. Closed circuit television is now used for instruction in about 75 colleges and universities. Radio and tape recordings are used at other schools to extend the effectiveness of outstanding teachers.

Providing sufficient competent teachers will not be easy, but bold and original thinking, inventiveness

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COLLEGE CRISIS

continued

and vision, should considerably ease the problem.

Providing sufficient educational facilities is another problem. Many colleges today lack adequate dormitory, classroom and laboratory space, have antiquated facilities needing modernization, and also must provide additional space for more students.

Fortunately, new space requirements will be considerably less than the proportionate increase in enrollments, if space is more extensively utilized. Studies in several states reveal that when classroom seats, laboratory, and shop stations, are compared with actual number of students enrolled, the space utilization averages about 35 per cent, with few institutions utilizing more than 50 per cent. Classes and instruction must be scheduled according to needs, and, with classes varying substantially in size, all space cannot be utilized continuously, but there still remains a large margin for improving utilization of existing plant.

Proposals advanced for better space utilization include: Scheduling additional Saturday classes, more late afternoon and evening classes, starting classes on the half hour to eliminate low utilization during the lunch hour, and operation of colleges on a 12-month year. These proposals change long-established procedures, but if adopted could substantially reduce requirements for new facilities.

Some equally original plans are being tested in an effort to help those students and prospective students unable to meet entire expenses of their education. Student fees in most institutions are about as high as they can be without reducing the number of young people who can afford the costs of higher education and still many high school graduates of high ability do not go to college, with consequent wastage of human resources. To meet this need colleges have increased their scholarship programs, and scholarships have been established by business concerns.

A recent and promising development in higher education is the establishment of interstate regional pacts, with several states sharing educational facilities, cooperating in planning, and specializing within complementary patterns. Southern Regional Education Board, founded in 1949, is the first such organization. It includes 15 states stretching from Delaware to Texas, which participate in contract programs for

medical, dental, veterinary medicine and social work education. States lacking schools in these fields send students to an institution in another state, paying the school fixed fees of \$750 to \$1,500 for each student. Student out-of-state fees are waived. Students receiving training under the plan increased from 388 in 1949-50 to 1,050 in 1954-55, with annual funds involved now totaling about \$1,350,000.

Nine states and one territory constitute the Western Interstate Compact now in operation, while other compacts are under consideration by the six New England states, and by 12 Midwestern states.

Another encouraging development is the increasing amount of state planning to meet the rising tide of enrollments. Plans have been completed or are underway in 31 states. They vary widely in scope but usually study elimination of unnecessary duplication among the state's institutions of higher education, and how best to expand facilities and staff to accommodate the increasing number of students. Some state plans study only one state institution or group of institutions. Others study all institutions within the state, public and private.

A study in Michigan estimated college enrollment to 1970, and suggested how the increase should be distributed among various segments of the higher education system. On the basis of this study, the governor recommended a \$150,000,000 increase in capital outlay for higher education over a six-year period, a \$6,000,000 annual increase in operating funds, and special inducements for expansion of junior colleges by increasing state support from \$130 to \$225 per student.

California made a comprehensive study in 1948, and a restudy in 1953. It was agreed no new colleges would be founded before 1965, though a study of needs after 1965 would begin in 1960. Higher education functions were allocated among the various institutions of the state.

Florida's study considered the over-all higher education structure required for a college population expected to grow from 36,000 in 1954 to 106,000 in 1970, and the state developed plans for relating public and private higher education institutions, and the nature of programs required to meet Florida's needs.

States which have taken no steps to study their needs, and plan how to meet them, leave the future of their higher education extremely uncertain.

An ominous question is the future role of the federal government in

higher education. Few realize how extensively the federal government influences financing and policies of our colleges and universities.

First major federal activity in higher education was the Morrill Act of 1862, providing land grants to the states for establishment of colleges of agriculture and mechanic arts. Subsequent acts added grants, now totaling \$5,000,000 per year.

Federal influence accelerated during World War II, when colleges and universities were indispensable for training specialized personnel and for scientific research and development. Recent years have seen the trend widened and intensified.

The G.I. benefits program and draft deferment of superior students have involved almost every college and university with the federal government. The Reserve Officers Training Corps program costs about \$30,000,000 per year, and enrolls 247,000 students on 356 campuses. Federal research in medicine, biology, atomic science, nuclear physics and other fields brings \$300,000,000 a year to colleges and universities. The federal government has lent colleges and universities almost \$500,000,000 for construction of student and faculty housing, dining halls, student unions, infirmaries, and other buildings. The government contracts with universities to provide correspondence courses to personnel overseas, has about 20 federal agencies and departments carrying on educational training programs in colleges and universities, and supports educational exchange of foreign students.

The U. S. Department of Agriculture conducts a graduate school enrolling 3,055 students, only about 15 per cent from the Agriculture Department. Courses are not limited to agriculture, but cover a wide range through the humanities, natural sciences, and social sciences. The government operates and pays about 57 per cent of the operating costs of Howard University, a 3,500-student institution in Washington with a \$6,000,000 annual budget.

Last July the National Education Association asked the federal government to set aside \$200,000,000 a year for scholarships. Governor Harriman recently recommended federal scholarships to high school graduates who could not otherwise go to college.

Demands for expanded federal activity in higher education will intensify during coming years. Should private institutions and state and local colleges not fulfill these demands, federal activity will increase, by default.—FRED D. LINDSEY

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We're short 75,000 freight cars

In spite of railroad improvements and stepped-up building, demand outstrips the freight car supply. Arthur H. Gass, chairman, Car Service Division, Association of American Railroads, tells why



GEORGE LOHN

an exclusive interview

Mr. Gass, how severe do you expect freight car shortages to be this year?

That depends on economic activity and whether the demand for transportation service is confined to a short period or hits a plateau over a longer period. I don't think shortages will be much, if any, more severe than the 20,000 peak hit in October last year.

Car surpluses are now practically nonexistent. There is no cushion to draw on.

You anticipate no shortage as bad, say, as that right after Korea?

Well, in 1950, we had a peak shortage of 39,477 cars daily. I see nothing on the horizon now that might throw service into a tailspin of that kind. Business would have to go wild, and I don't know why it should. The factors that go into the economy—steel production, housing starts, automobile sales, things of that kind—would have to take a big and unanticipated increase.

How does the present level of loadings compare with last year?

Loadings for the first 14 weeks of 1956 were 7.7 per cent above the same period of 1955.

How does the freight car fleet compare?

As of April 1, 1956, Class I railroads owned 23,926 fewer cars than they did one year earlier. But, due to a reduction of 47,476 in the number of cars awaiting repair, the serviceable fleet—which is, after all, what you do the business with—increased 23,550 units over last year.

What types of cars are in shortest supply compared with demand?

At present box cars are shortest. For a typical recent week, we were short 5,000 cars; of that, 3,800 were box. This compares with over-all shortages for the same week last year of 2,142, of which 1,579 were box cars.

What is the explanation for the doubling of the shortage?

One of the things partially responsible is that we have been moving a greater amount of wheat earlier this year than last. That is, the Department of Agriculture is trying to get stored grain out of the way of the new crop before harvesting begins to pick up this June.

Does this forecast a bad year for moving wheat and grain?

No. It ought to foreshadow a better year. Of course, we have moved more this year and still have more left on the farm to move. We now have more than 1,000,000,000 bushels of grain to carry over, with another crop coming on. Sooner or

later, you have trouble finding space to store all that.

Will cars be tied up because of no place to put new grain?

Not if I can help it. There is no use loading the car if you haven't got a place to unload it when it gets where it is going. We are watching the normal places where grain moves to—the primary markets such as Kansas City, Wichita, Hutchinson, Chicago, Minneapolis, Buffalo—to see that there is no accumulation of cars beyond the ability to unload. We are also watching all of the ports.

What types of cars are short besides boxes?

Hopper cars for coal, sand, gravel, fluxing stone, dolomite. Gondolas have been very tight in supply. Flat cars are on a pretty well balanced basis.

Is there a car shortage for lumber in the Northwest?

At the moment, no.

What, basically, are car shortages and why do we have them?

Shortages are a matter of numbers—too few cars for too much demand. If a shipper orders a freight car and doesn't receive it for the day of placement, it is reported as a shortage. The method used to measure

shortages which go into our weekly reports has some infirmities, however. For example, there are no offsetting credits for a car furnished on a delayed basis. A shipper may order five cars, for instance, for Monday's placement. If the railroad is unable to place the cars ordered on that day, they go into the report as five cars short. If this condition continues through the week, an unfilled car order for five cars is repeated on Tuesday, Wednesday and Thursday—even though on Friday the five cars are placed. Thus, in compiling the report, the railroad adds up a cumulative shortage, in this case, of 20.

Further, car shortages tend to feed on apprehension. A shipper may order his full needs from more than one competing carrier. This multiplies the total reported shortage. We have repeated instances, also, of where a shipper may order 50 cars, for example, receive 40 and load only 35. That transaction goes into the report as ten cars short, although actually he carried over to the next day five unused cars.

There is no true measure of shortages, only fairly good indicators.

What are railroads doing to increase numbers of cars?

For one thing, they have speeded up

their repair and maintenance programs. Class I roads put 324,953 cars through their shops for heavy repairs in 1955.

So far this year, we are repairing at a rate that will give us a total of 353,000 repaired cars this year. This, of course, depends on the availability of steel. Continuous repair is the quickest way to get cars into service, because they are already built. You don't have to wait for your steel to be rolled and fabricated.

How many new cars are on order?

On April 1, 1956, there were 137,106 new cars on order for all domestic users. Of that, Class I railroads accounted for 122,095. The average cost per car is \$8,000, giving a total of about \$1,000,000,000 in orders.

How many new cars are being built as compared with retirements?

In the first three months of 1956, Class I roads installed 14,650 cars and retired 12,203. That is a net gain of 2,447 units.

How many cars could be built monthly if steel were available?

The contract shops and car shops of the railroads have the capacity to build about 10,000 cars with no difficulty.

Is the building trend accelerating?

Well, in January we got 4,350; in

Railroad cars in shortest supply compared with demand are . . .



BOX



GONDOLA



HOPPER

Building program lags behind even conservatively estimated need of 6,250 cars a month for five years. Chart shows cumulative totals of cars built (gray) and cars needed (color) during the first four months of this year

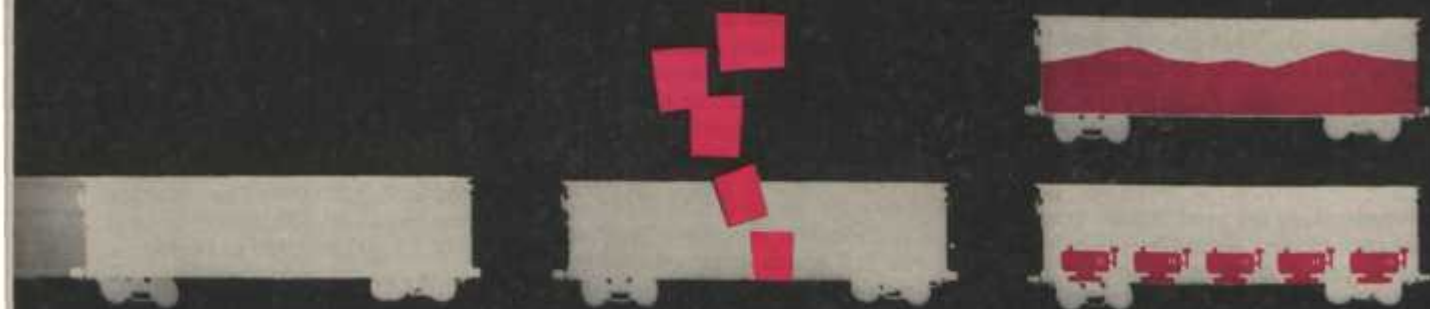


DELAYS ADD TO PROBLEM...

*when cars are delivered
to shipper or receiver...*

*instead of speedy
loading or unloading*

they often just sit



February, 4,926; in March, 5,607; April should top 6,000. So the trend is up slightly.

How many new cars do you think should be built annually to meet anticipated needs?

About 75,000 for five years.

Isn't that a conservative target?

I don't think so. We retire around 50,000 cars a year. If you built 75,000, that would give a 25,000 net increase annually.

Is the car fleet considered adequate to meet transport demands in event of full mobilization?

No. A study by the Defense Transport Administration puts the overall ownership needed for full mobilization at 1,867,000. That compares with ownership on April 1 of 1,696,554.

If railroads could get steel to build 75,000 cars a year, would they be able to pay for them?

To build 75,000 cars would cost about \$600,000,000. In good years railroads have spent about \$400,000,000 a year for freight cars. To spend 50 per cent more than that would be quite a strain on finances but I believe ways could be found to do it, provided a sufficient level of earnings could be maintained.

Is the diesel program completed?

About 85 per cent completed.

Is more spending likely to go into freight cars as other spending is less needed?

Yes. A railroad is the same as a family. If you have money to spend, you

put it into the thing from which you get your quickest return. The railroads saw their quickest return coming from the diesel, so they put their money there, thus most rapidly reducing operating expenses.

Do you feel railroads should own enough rolling stock to take care of even peak loading requirements?

Yes, I do. Railroads have only one thing to sell and that is the service they perform. They can't perform it without cars. If you want to ship a carload of anything, it takes a car to fill that need. If you don't have enough to meet your peak demand, you are going to lose business. My idea would be to have enough to meet the peak, maybe even a few extra as a cushion.

How many cars do they lack to meet that goal?

Well, at present, we are running about 5,000 a day short. To meet that, you would have to multiply 5,000 by the average car turn-around time of about 15 days. This would give you 75,000 extra cars. To offset the year's peak shortages, considerably more would be needed.

Does failure of shippers to get freight cars when ordered divert traffic to competing carriers?

It does. Of course, I think freight rates or price moves most traffic. But if a shipper has traffic that he has to move, he is going to move it if there is any means available. If the rails can't handle it, perhaps the other fellow can.

Why don't railroads own enough cars to meet peak demands?

Car shortages are basically a financial problem—a question of the amount of money you have to spend for improvements. In all of this post-war period of prosperity, the railroads as an industry received an average of less than four per cent return on net investment. Now, a four per cent industry just does not have the money needed.

In 1954, I might point out, 13 Class I lines operated at a deficit; 62 others earned less than four per cent; 20 more earned less than five per cent; eight more earned less than six per cent. Just 22 of 130 railroads earned more than six per cent, and every one is well and adequately equipped.

Do you feel that the end of rapid tax amortization allowances has slowed car orders?

I think some cars were ordered because of tax amortization that wouldn't have been otherwise. But it certainly involved no tax forgiveness—merely a tax deferment. If you did not have any net return, what good would rapid amortization of taxes be?

How do you feel about the proposal that the government buy equipment and make it available to the railroads?

I do not feel that such a proposal is workable. There are almost 100 types of cars—box cars, gondolas, covered hoppers, open hoppers, flats, stock cars, etc.—and the first question would be: How many of each type should the government buy? The next question would be: To what railroads would the cars be assigned? Another bothersome ques-

tion is: How would proportionate use of such equipment be worked out in times of surplus? Under the workings of Car Service rules all cars have a home and when the demand eases the cars go home. But these government cars would be orphans, with no place to go. Certainly a railroad with a surplus of its own equipment on line could not be expected to provide trackage space on which these cars could be stored and at the same time pay a daily rental for government-owned cars while their own stood idle.

Would higher freight car rental fees, or per diem, help increase the car fleet?

On that, the industry itself is divided. Some say a higher rate would help, some say it won't. Basically per diem is the daily cost of ownership of a car. Through a comprehensive formula, we have determined that to be \$2.40. This is what the owning railroad gets from another railroad when a car is on a foreign line. To a big extent, rentals are reciprocally offset. While the Southern Pacific, for example, will have Pennsylvania Railroad cars and pay the Pennsylvania for their use, the Pennsylvania will be using Southern Pacific cars and paying Southern Pacific per diem rentals.

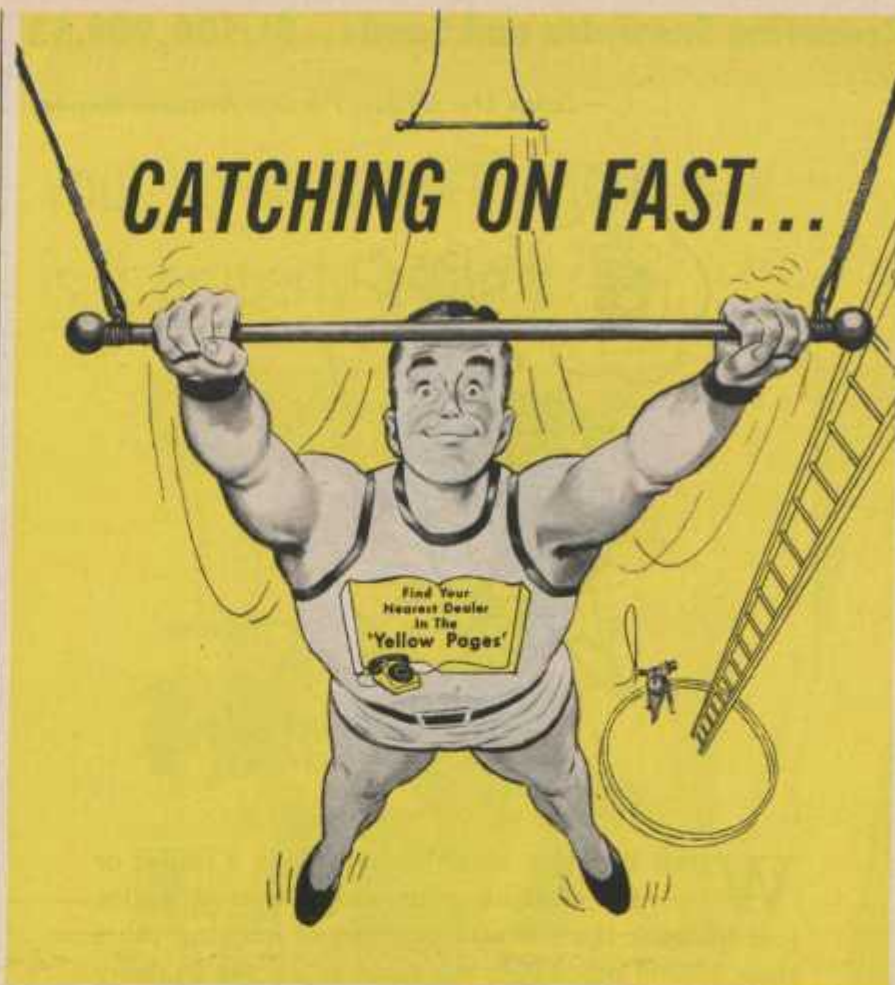
Besides keeping old cars repaired and building new ones, what are railroads doing to step up the pace of their operations to get increased use of cars?

They are using prayer, persuasion, profanity and anything else they can think of. We are attempting to get a more prompt release on the part of shippers. That is giving us a little trouble. We have checked some 800

*Most railroad money
has gone into Diesels*



*because the economical
operation promised the
quickest return and
reduced operating costs*



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The figure quoted above, for keeping tracks clear, is still small as compared to our total roadbed maintenance cost of over 62 million dollars. And we wish to point out that this money comes out of *our* pocket—not from the taxpayers.

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That is one reason for our consistent record of paying stock dividends, year after year, for more than fifty years.

UNION PACIFIC RAILROAD

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FREIGHT CARS

continued

cities on detention of cars and we find that the increase in 1955 over 1949 was up by 86 per cent. Cars spend half their lives in the hands of shippers.

What's the reason?

Back in '49, a lot of people were loading and unloading six days a week. But since 1949, excepting for some continuous process industries, the usual work week is five days.

What can you do to get shippers to release cars more rapidly?

The only thing you can do is just present the problem to them. It should be obvious to a shipper who receives cars and at the same time wants to ship that it is in his interest to unload cars promptly.

What agencies do railroads work through to get shippers to co-operate?

Through the 13 Shippers Advisory Boards with a membership of 26,000 shippers. The Car Service Division is the point of contact between the railroad industry and these shippers.

Are the railroads doing anything to speed their own operations?

Yes. As a matter of fact, they are bending over backward to obey ICC orders such as those calling for prompt removal of empty cars after they are unloaded and the rapid transportation of loaded cars.

What part does uneven distribution among regions play in car shortages?

I don't think there is much regional dislocation. If you divide the country into two areas, east and west of the Mississippi River, you find that on March 15, for example, the eastern areas had 96.1 per cent of their ownership on line. The western lines had 96.4.

Consumption is what causes the movement of commodities. In the eastern area, there are 191.1 people per square mile. In the southern area, 66.8. In the entire western area, there are only 23.7 people to the square mile.

There are fewer consumers in the West and South than in the East. Therefore, you have to counter-balance the heavier outflow of loaded cars from the West and South with a continual movement of empty equipment back to these areas. We do that by car orders, car directives, the workings of car service rules and by checking movements at Chicago, Peoria, St. Louis, Memphis, Vicksburg, and through New Orleans to get the gateway flow of traffic.

Have physical plant improvements accelerated car use?

No question of that. For instance, a few years ago, we had no radio dispatching in the yards. Many of these, like the Alexandria, Va., Potomac Yards, now have a radio on every engine and a radio in the Yard Master's office, the General Manager's office and on the hump so that they can readily control switching.

Are big yards using television?

Potomac Yard is one of those using it. Trains come in past a television camera at five miles an hour. That camera is directed at the car number and initials. In the head office a man reads the car number off the television screen into a tape recorder. Formerly, until the train stopped and they had the bills, they couldn't begin to work.

Now, before the train stops rolling, they've listed every car.

Any other developments?

Yes, there's automatic switching in yards, plus the electronic scale that automatically weighs cars, and radar-controlled car movement through retarders. These are used where you switch by gravity. Retarders are devices that clamp up against the sides of car wheels and slow it down to a predetermined speed necessary to get it to the spot out in the yard where it belongs. One of the newest devices is an electronic computer that handles a mass of information on car loading, weight and destination track, and, with the aid of a radar screen, automatically tells the retarder at what speed to release that car so that it will roll to its proper place in the yard and couple to the next car without damaging impact.

Is there any way of measuring the effectiveness of such improvements?

Take a look at 1926—30 years ago. Class I railroads then had 1,805,780 employees and owned 2,348,679 cars. Now, we have 1,056,000 employees and 1,694,097 cars.

That means reductions of 41 per cent in our employees and 27 per cent in our cars.

Look at what we do with them, though. In 1926, we moved 486,000,000 net ton-miles of traffic. We now move 622,000,000,000 ton-miles, or an increase of 27.9 per cent. That means with improved yards and terminals, better traffic control and signaling, diesel power, better supervision—with these, we did more with less.

Better railroads have made it possible to do 27 per cent more business with 41 per cent fewer employees and 27 per cent fewer freight cars. **END**

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Insurance growth points to trillion dollar industry

Leaders see new payment plan, policies to businesses, women and youth aiding in climb to record height by 1970

THE U. S. life insurance industry is on its way to becoming the first trillion-dollar enterprise in history—if the face value of policies in force is used as a yardstick.

Insurance in force has climbed, in a single decade, from \$151,000,000,000 to \$373,000,000,000.

"If the present rate continues," predicts Holgar J. Johnson, president of the Life Insurance Institute, "we should reach \$1,000,000,000,000 in force sometime around 1970."

Mr. Johnson's prophecy is no blue-sky pronouncement. Last year the nation's 200,000 full time life insurance agents, aided by a sizable army of part-timers, turned in a record \$49,000,000,000 worth of new policies, a fat \$18,000,000,000 above the annual postwar average. A recent survey of presidents of companies belonging to the Life Insurance Agency Management Association came up with the consensus prediction that this year's sales should be another 15 per cent over 1955.

More than 115,000,000 Americans now own some form of life insurance. Of the total population, 80 per cent of all men today carry insurance on their lives. Also with policies in their own names are 62 per cent of all women and 60 per cent of the nation's children. Combined savings of these policyholders, as represented by life reserves, constitute the greatest single form of personal thrift in the country.

The number of legal reserve life

companies has jumped from 444 in 1940 to more than 1,115 today. Total assets of these companies exceed \$90,000,000,000, the largest single source of private investment capital in the world.

Although personal prosperity has been the chief impetus behind snowballing life insurance sales, another factor has been at work—the rapid expansion of mass life insurance coverage and of policies purchased for business reasons. These include:

GROUP LIFE INSURANCE. More than half of all nonagricultural workers in the United States are covered by group policies. Group insurance now in force exceeds \$100,000,000,000—a 1,000 per cent increase over 1935.

For many years, group insurance was limited by law to groups of 50 or more persons. Recently, however, more than half of the states have reduced the minimum requirement to ten persons, booming group sales.

RETIREMENT INSURANCE. An estimated 22,000,000 workers are now covered by some sort of pension plan set up by their employers. One fifth of these plans are insured by life companies. Retirement plans got a boost in 1954 when a new law was passed giving such plans favorable tax treatment if approved in advance by the Internal Revenue Service.

BUSINESS LIFE INSURANCE. Insuring key executives, business continuity or the transfer of ownership

at death was almost unheard of 25 years ago. Today such business insurance totals \$20,000,000,000 in force and is growing rapidly.

CREDIT INSURANCE. Barely noticeable before the war, credit insurance now covers 20,000,000 loans worth more than \$10,000,000,000 and is a firm prop under today's retail credit buying.

Despite mushrooming of mass coverage, life companies know that to reach \$1,000,000,000,000 in force within the next 15 years they must not fall down on sales to individuals.

"It's time we stop boasting about insurance in force in the United States and begin worrying about the insurance that's not in force," warns John A. Lloyd, president of the Union Central Life Insurance Company, Cincinnati.

Edwin C. McDonald, vice president in charge of group insurance for Metropolitan Life, agrees: "We've made some important advances in the past ten years," he points out, "but we shouldn't forget that today's average family man still has only half as much life insurance in comparison to his take-home pay as he had in 1932."

To step up life sales to individuals, the industry has:

1. Launched an advertising campaign which will cost \$50,000,000 for all companies in 1956. The industry's ad outlay for 1951 was only \$17,000,000.

2. Organized a recruitment drive to increase the number of full-time life insurance salesmen by ten per cent. Many companies offer promising newcomers generous salary guarantees to help them get started.

3. Reduced the wide range of physical ailments and hazardous occupations which were once a bar to ordinary-risk coverage.

4. Increased sales efforts aimed at blue-collar workers and farmers.

5. Introduced special policies. Such specials, usually sold only in amounts of \$10,000 and up, are 10 to 15 per cent cheaper than old-line policies.

Life insurance men see a number of trends which are certain to have far-reaching effects on their industry. One of these, they say, will be a decline in annual and quarterly payment of premiums, with the policyholder paying for his insurance every month along with his other bills. Life insurance sales to women will increase as more of them enter the labor force. Juvenile and educational insurance should also climb fast during the next decade. Decentralization of home office management, already well underway, will increase.—CHARLES G. FRANCIS

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EXECUTIVE PAY

continued from page 39

production foremen in charge of metal working, such as machining; foremen in charge of inspection; supervisors of receiving, shipping.

Are these nonunionized positions?

Yes. All of the positions included in our surveys are nonunionized except some of the nonmanagement engineering and other professional jobs in our Administrative and Technical Positions surveys. Supervisory and middle management positions are considered as part of the management teams of their companies. While it is the considered opinion of many business leaders that the objectives of what has come to be called management and labor are all the same, as long as they sit on opposite sides of a bargaining table with a theoretical line drawn between them, the management jobs, including foremen and other supervisors, are not included in the bargaining units. In fact, the line is rather clearly drawn by labor relations laws and regulations.

From the material in your five-year study, can you estimate what the average salaries in the lower, middle and top management groups are likely to be by 1960?

That involves many influences, not the least of which is the productivity of our work force, which, incidentally, is influenced tremendously by technological development. I expect that development to continue. Just to where, I don't know, but nothing in the present picture indicates there won't be a continuation. This will have its influence through the supervisory and up into the middle management levels.

On the other hand, there is nothing historical to indicate that there would be any general increase for top management. Actually, the increase in top management pay is the result of executives' own efforts to increase the size and scope of the businesses they are running. The natural growth of small companies into larger companies will continue and this will reflect itself in the compensation of the executives who are responsible, but there are many influences that would seem to indicate that we may be reaching a ceiling on the highest paid levels of compensation in commerce and industry.

Have recent mergers affected top management pay?

A merger naturally increases the size of at least one of the companies involved. As a general rule, this has had no immediate effect on the com-

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pensation of the officers involved. On the other hand, it is only natural that the directors of those companies will bring the compensation of their officers in line with that which is paid in corporations comparable to the merged combination.

What would be a realistic estimate of executive compensation at these various levels by 1960?

In any survey work, it's somewhat hazardous to make long-range estimates. Actually, and I'm drawing directly on my own experience now, beginning about 1940 top management compensation increased about 75 per cent over a ten year period, or at the rate of about 7½ per cent a year. The situation in the past five years hasn't been quite so favorable. As a matter of fact, last year we published a figure showing that total average compensation had increased about 23 per cent over a five year period, so, over a 15 year period, the rate of increase has slowed down.

I think there probably will be fewer outside pressures, you might say, on the rate of increase from now until 1960 and, if a healthy economic situation continues, I think in the foreseeable future there will be a five per cent per year increase in executive pay.

Although there are very wide ranges in top management compensation, if you select a group of companies within a given industry and of a given size determined by sales and profits, capital invested and number of employees, you can arrive at usable averages.

What are some examples?

Well, if you take a manufacturing company in a durable goods industry, where sales are about \$70,000,000, capital invested is \$40,000,000, about 5,000 employees are involved, total compensation for a top manufacturing position would range between \$35,000 and \$50,000 per year.

Does that cover just salary or are other items included?

Generally speaking, we have been talking in terms of salaries for the supervisory and middle management level. However, we made several

references to total compensation for top management because top management compensation is more directly influenced by incentive or bonus systems than the others.

Are incentive systems becoming increasingly important as far as top management pay is concerned?

Yes, but slowly. In the years we have been making top management surveys, the number of incentive compensation plans has increased only slightly.

What do such plans include?

The American Management Association divides all compensation into three basic parts:

- ▶ Salaries, which are fixed amounts paid regularly and which reflect the value of the job in normal situations.
- ▶ Compensation for extraordinary or outstanding performance or for very satisfactory results. Bonus plans are an example.
- ▶ Supplementary compensation, which includes retirement plans, group insurance, stock purchase and option plans.

Does supplementary compensation include profit sharing?

Profit sharing means different things to different people. Many companies call their bonus or incentive plan a profit sharing plan. However, in strict terms, profit sharing is a plan by which some portion of the profits are distributed among all employees of an organization or institution. Executives participate in these plans proportionately the same as any employee participates.

Are supplementary programs increasing?

The number of retirement plans has increased definitely over the past few years. Also, in 1950, Congress passed a new tax law which made a certain form of stock-purchase plan known as restricted stock options quite attractive from a tax viewpoint. Since then about 25 per cent of the publicly owned companies have adopted such plans.

How do the stock-option plans operate?

The typical plan gives executives

and other key employees the right to buy stock at its value at the time the option is granted. The executive is permitted to wait a period of years—usually five, though in some cases up to ten—to pay and take delivery. The incentive is that, by then, the value of the stock presumably will be much greater than when the option was granted and the price set.

Does this constitute a vote of confidence in the company's growth potential?

Definitely. The whole incentive is in the growth of the business and the effect this will have on the market value of the stock.

Is there also a tax advantage to the recipient?

Yes. With certain limitations, the gain can be treated as a capital gains tax as opposed to ordinary income.

How far down the executive pay scale do profit-sharing programs extend?

Profit-sharing plans ordinarily include substantially all employees.

What is being done to develop new compensation plans?

Many companies are attempting to find ways to increase what might be called the take-home pay of executives. This is partly the reason for the increase in retirement plans because, as a rule, money contributed to the development of retirement funds is nontaxable at the time it is contributed.

The other form of compensation which has tax benefits is a form of employment contract which, under certain conditions, permits the deferment of some portion of income to payment in future years. There are a few incentive compensation plans that defer incentive earnings into future years under contractual arrangements.

Can you give an example?

Some of the well known plans defer bonus payments over four or five-year periods. Actually, these are primarily holding devices and have tax benefits only from a leveling point of view. A few such plans defer a portion of the bonus payment to the severance of employment or retirement. This actually puts them in the form of supplementary retirement plans. Group insurance is another growing form of compensation. A good example here is the catastrophe insurance plan, contributions to which are nontaxable to the executive at the time they are made.

Is there an individual as well as a group deferred compensation plan?

Any group in a deferred compensation plan must qualify under the tax

laws and anything that does not qualify under the tax laws must be in the form of individual contracts.

How about death benefits?

The death benefits primarily are taken care of through group life insurance plans. Some pension plans have death benefits in connection with them and a few contracts provide for payment to the widow in case of a man's death.

Some people think, by the way, that top executives are the only ones who get extra compensation in the form of bonuses. Our survey reveals that bonuses are as frequent for middle management executives as for those at the top.

How important are some of the more subtle factors in the compensation picture, such as a man's title, the size of his office, and so on?

The answer to that, of course, varies with individuals but a great deal of attention is being given to what might be called nonfinancial incentives. These include the size and type of a man's office, whether or not it is air-conditioned, discounts on company products, some flexibility with vacation arrangements, parking facilities, and what have you.

I also want to mention the more fundamental nonfinancial incentives. These include a man's freedom to act, the opportunity for individual achievement, the natural desire to get ahead and, to some extent, the things that build security.

Is there any evidence which indicates that executives place prestige and other intangible factors above actual financial reward?

Adequate and equitable financial rewards are a necessity. But unless these financial rewards are paid in an atmosphere of satisfactory working conditions they will be to no avail. Most executives today feel that no amount of money will attract them to a job that is otherwise unsatisfactory.

Have the fringe benefits of employment so often associated with the compensation of nonexecutive personnel increased as rapidly for executives?

Actually, the extension of the so-called fringe benefits has followed the granting of like benefits to employment generally. In other words, these plans are conceived for employment generally and then have subsequently been made available to the salaried personnel and to the upper level of executives.

Are U. S. executives the world's best paid?

That is unquestionably true but I think the whole industrial structure,

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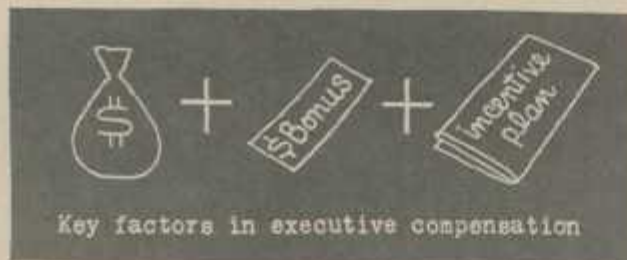
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ROUTE OF THE EAGLES



including the nature of employed management in the United States, should be taken into consideration. The trend in this country is away from privately owned corporations. In some countries the privately owned corporations—closed corporations—are holding their own. We are becoming more and more a business system of publicly owned institutions.

Does this trend justify high pay for corporation executives?

The answer to that lies in a sense of relative values. The public does not react unfavorably to large amounts paid, for example, in the entertainment field. As a people we are rather proud of the high salaries paid to prominent movie stars, athletes, and others, but in the business world there are social, economic and political pressures which fail to credit the individual skills and capabilities required of business leaders. I think, however, that we may reach a time when management as a profession will be recognized and compensated in proportion to the compensation awarded outside the business world.

To illustrate: The highest lifetime earnings are found in the medical profession and the next highest in the legal profession. Actually, I don't know currently how the entertainment field would compare with these but business leaders as a general rule have not been paid as well on the lifetime earning basis as persons in many other professions. The point is that relatively few businessmen reach income of the magnitude found in these other fields and then only during the last few years of their careers.

Do your studies cover owner-operators?

We have some owner-operators. We do not attempt to survey the owners as such. Their income is a combination of such salaries as they may draw, or bonuses, and the dividends from their ownership. It is difficult to get comparable earnings figures.

Furthermore, we haven't gone at all into business categories that are primarily partnerships such as public accountants, brokers, insurance agencies and the like.

Do companies cooperate in determining executive pay schedules?

Not at all, except in the use of surveys such as we conduct and some privately conducted surveys, and the use of the information that develops through Securities and Exchange Commission reports. Every publicly owned corporation must divulge the compensation paid to its top level officers. The SEC has these records. As in any other area of management, executives are seeking to become better informed, to learn what comparable jobs pay in like industries. They have to be competitive, and to be competitive they have to have the facts as best they can be established. There still is a tremendous reluctance to exchange executive compensation information.

Is executive compensation soundly set at this time?

Growingly so. Formalized wage plans for production and office workers have existed for about a half century. There has been a great deal of development along that line in the past 25 years. It has only been within the past five to ten years that companies have given thoughtful consideration to formalized executive pay plans, but during that time it has developed to a point where 45 per cent of the companies we deal with claim they have carried their systematic plans to some level of management and about 12 per cent of the companies have carried them all the way up through their top organization.

What should determine an executive's value to the corporation, and, therefore, his rate of compensation?

The basic determinant is what similar companies or industry generally pay for like responsibilities. Responsibilities in turn are measured by the scope or the magnitude of the job. At upper levels, the size of the company is the big determinant. In the middle management level, it is the scope of the individual job, and we might illustrate that by taking up a representative job in the middle management field—say a credit manager. The compensation of a credit manager is determined by the

amount of credit on the company's books, the number of such accounts, the nature of the market, which reflects itself in the comparability of those accounts.

Is this a realistic procedure, in view of the fact that the head officer of a middle-sized business may spend at least as much energy as the head of a larger organization?

It is realistic from the point of view that compensation is directly related to the relative importance of the work a man performs. This does not necessarily reflect the amount of effort that a man puts into a job. It must be recognized that when we say that size reflects responsibility, that the size of the assets of the corporation, the number of stockholders, the number of employees whom a given executive is responsible for, are all determining factors.

Is length of service important in determining compensation?

Only to the extent that it reflects a man's value in a given job. Age or working experience is not an over-all determinant. The average age and length of service at the foreman's level is often greater than at the executive level.

How can new companies set up effective standards for determining executive compensation?

This involves the application of many management philosophies and principles.

Number one, to have a sound compensation program, an organization should first have a sound and formalized organization. Then each position should be fully described so that each man knows his responsibilities and the scope of his authority. Then there are some policy decisions that must be made which would involve the benefits that the corporation believes it should have to be competitive. These benefits would include the kind and type of retirement program, insurance coverage, and whether or not the company's stock should be considered as an element in compensation.

Having determined these policy matters, the next step would be to determine what the management of the company as a whole should be, considering both the competitive field for the type of executives needed and the company's ability to pay.

Having developed a program that encompasses the management principles involved, the next step is to get factual information on amounts that are necessary to put the firm in a competitive position and, by the application of evaluation techniques, to determine the compensation for each of the positions involved. **END**

MILITARY AIRLINE

continued from page 31

Flights to Europe leave from McGuire Air Force Base at Wrightstown, N. J., Dover Air Force Base in Delaware, and National Airport in Washington, D. C. Other overseas flights leave Mobile, Ala., (to be closed soon) and Charleston, S. C. On the West Coast, flights for points in the Far East depart and arrive at Travis Air Force Base, Fairfield, Calif. From McCord Air Force Base planes depart for Alaska.

The military service follows the practice of the private airlines in giving exotic, gilt-edged names to its plush transoceanic aircraft.

To Europe, for example, passengers may ride *The Atlantic*, departing Washington, D. C., at 3 p.m. Monday, Wednesday, and Friday, with stops at Terceira, Azores, and Paris. Destination is Frankfurt, Germany.

From McGuire, passengers may board *The Rhine*, which also goes to Frankfurt. This flight leaves daily at 4 p.m.

Other European flights are *The Benefactor*, bound for Frankfurt; *The European*, going to Paris; *The Madrid*, which arrives in Paris after a stop in Spain; *The Ambassador*, which terminates at Prestwick, Scotland; *The Lajes*, which goes only to the Azores; and *The Hamilton*, which goes from McGuire AFB to Bermuda. Other flights are also available.

Supplementary schedules are printed each month.

Luxury flights crossing the Pacific include *The Fujiyama*, *The Waikiki*, *The Waikiki II*, the *Air-Evac*, *The Johnston* (terminated at Johnston Island), *The Midway*, *The Ginza*, *The Bangkok*, *The Meteor*, and others.

Another page borrowed by the military from the private airlines is the issuing of passenger flight insurance. For example, Parker & Co., Inc., provides one-day \$5,000 coverage for \$1. Amounts up to \$50,000 (\$10 for one day) are available. Trip insurance may also be obtained for longer periods, up to 90 days, which costs \$13.50 for \$5,000 worth of insurance.

Like its commercial counterpart, the military schools flight attendants for duty on its planes. The flight attendant school at Palm Beach Air Force Base in Florida has trained more than 1,600 young men and women since the fall of 1952, when the training program was begun.

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WHEN REP. Daniel J. Flood of Pennsylvania asked for information on MATS' plush, four-engine transports he got photos, including one above, but all were stamped "Secret." (See arrow) Rep. Flood, who held that the planes were justified to Congress originally as heavy-duty cargo carriers, objected and the photographs were then declassified by military authorities

MILITARY AIRLINE *continued*

appearance and winning personalities, two of the qualifications which the private airlines insist upon when selecting young women for stewardess training.

Two flight attendants are provided for each flight where passenger load is 66 or less. Regulations call for three qualified flight attendants on each aircraft where load exceeds 66 passengers.

In transporting military dependent personnel, rules say it is desirable that at least one flight attendant be a registered nurse.

Additional passenger conveniences are provided by carpeted floors (to insure comfortable floor-level temperatures), no less than one blanket and one pillow for each passenger, a supply of palliatives for relief of airsickness, clean headrests for each seat prior to loading, wash-room facilities, airsickness cups for each seat, and so on.

Meals are served in flight. Usually the passenger pays for each meal. The cost is 75 cents for all civilians and officers.

Enlisted personnel pay 40 cents per meal. Those, however, who are receiving no subsistence allowances are given meals at government expense. Meals for children cost 40 cents each.

Hot cakes with sausage, bacon or ham, eggs, cereal, beverages, and so

on may be served for breakfast. Some planes feature pop-up toasters. Lunch may consist of soup or juice, beef or fowl, vegetables, salad, rolls, butter, beverage and dessert. Dinner features similar menus, except that regulations specify that the entree must be of a different variety than lunch.

Airplanes utilized for passenger operation are equipped with a galley suitable for preparation of such hot meals.

The Military Air Transport Service is organized into three divisions, the Atlantic, Pacific, and the Continental.

The Atlantic Division operates from the East Coast of the United States through Europe to the Middle East. It links up in Saudi Arabia with the Pacific Division, operating from the West Coast of the United States through Far East bases.

The Continental Division completes the network of global air routes. It operates from coast to coast and throughout the Western Hemisphere from Alaska to Rio de Janeiro, in Brazil.

► Here is the record of the Atlantic Division:

It completed more than 8,000 Atlantic crossings last year, an estimated 50 per cent more crossings than were made the year before.

It transported 321,500 passengers

and patients, about 110,000 more than in '54.

Cargo totaled about 88,000 tons, an increase from 48,732 tons.

The first scheduled nonstop flight from Paris to Washington, D. C., was made in the course of the year with 53 passengers and crew of ten. Time: 16 hours, 25 minutes.

► Here is the Pacific Division's record:

It completed more than 6,100 Pacific crossings during the year.

It airlifted 316,000 passengers and patients, an increase from 239,471 the year before.

Cargo tonnage was up from 33,682 in 1954 to 46,000.

► Here is the Continental Division's record:

It airlifted 95,000 passengers and patients, up from 86,432 in 1954.

Cargo reached 13,000 tons, compared with 8,597 tons moved the previous year.

Continental Division planes made 1,260 Atlantic crossings and 1,422 Pacific crossings.

In addition to transport services, MATS operates five technical services. About 60 per cent of the command's operations are devoted to these. Here is the Air Weather Service record:

It has about 400 weather stations, 25 mobile weather units, and seven aerial reconnaissance squadrons. It

operates world-wide, processing and evaluating weather conditions from the North Pole to the tropics. Planes flew nearly 12,000,000 miles throughout the world making 3,990 weather flights.

Hurricane and typhoon chasers flew 59,000 hours tracking storms.

A tropical hurricane was air-watched at night for the first time. After a night penetration of Hurricane Connie last year it was decided that future hurricane flights would be made into the center of storms every six hours.

The Air Rescue Service flew 30,000 hours, traveling more than 4,500,000 miles.

Mars planes also spent 10,000 hours in aerial survey work. The Air Photographic and Charting Service at St. Louis provided 11,000 charting and air information publications, distributing about 92,000,000 copies throughout the world to authorized users. The Photographic Service also prepares training and educational motion pictures and still photographs for all branches of the Air Force.

The Command's fiscal operations include a transfer of funds some-

James H. Douglas, Under Secretary of the Air Force, said recently: "The Department of Defense and the Air Force . . . is not trying to run a government airline in competition with the civil airlines. . . . The only reason . . . that we find ourselves with the kind of capacity we have is that we really think it is required for wartime emergency."

times made by government agencies which use its facilities. A small share of the traffic is reimbursable, mostly from mutual security funds. In fiscal '55 total reimbursement was \$15,791,638. The service plans a switch to an industrial funding method of operation, but that will not be done until 1958.

At present, a government agency may pay \$195 an hour for the use of a C-54. Cost to other than U.S. agencies is \$445 an hour. The minimum daily charge is one hour.

Charge to government agencies for the use of C-118 or C-121 series aircraft is \$325 an hour; other than U.S. agencies pay \$795 an hour.

The charge for a C-124, carrying
(Continued on page 89)

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INVENTORIES

continued from page 35

metal prices dropped six per cent; fuels dropped about 18 per cent, rubber and rubber products, 24 per cent, and other commodities by varying amounts. These price weaknesses developed despite a growth in the total volume of business. The price declines from 1926-1927 more than wiped out the gains made from 1924-1926; and the physical liquidation of stocks interfered with the growth in the economy. The economy lost, and businessmen lost by their effort to outguess the market in 1920, and in 1926.

They lost so obviously in 1929 that no purpose would be served by another study of this period. Prices in 1932 were so far below what they had been in 1929—to say nothing of 1927—as to wipe out for business as a whole any paper profits due to price changes that might have been won before 1929.

Businessmen as a whole have not gained by trying to outguess the market since World War II, either. Textile prices went up more than 11 per cent from 1950-1951. Inventories rose more than 14 per cent. Then prices dropped. By 1954, they had dropped 14 per cent—and were four per cent below 1950 levels. Prices of rubber and rubber products dropped 16 per cent, lumber and lumber product prices six per cent, hides and leather products prices 21 per cent. Inventories in these categories were sold at declining prices in 1954.

A study of what happened to steel inventories may illustrate how adjustments to inventory holdings damaged the economy in 1954.

Steel inventories in the hands of fabricators and distributors reached about 21,000,000 tons by October, 1953. This was the equivalent of about three months of consumption. Production had been running at an annual rate of more than 113,000,000 tons. Then new orders were cut, and old orders cancelled. Produc-

tion dropped to below an annual rate of 80,000,000 tons and from 101.8 per cent of capacity to 62.9 per cent. Inventories dropped from 90 days to less than 60 days, and for some industries to an effective level of 30 days. They were unbalanced inventories, too.

Half the decline in production was due to the use of inventories to support fabrication. If inventories had not been cut, steel output would have averaged about 100,000,000 tons from November, 1953, to October, 1954. At 7¼ cents per pound for processed steel, plus transportation charges, the shifting from production of iron and steel for current use to reduction of inventories for current use cost the economy about \$2,000,000,000.

When business discovered in the fall of 1954 that it could not get along with 30-60 days of unbalanced inventories, it started ordering wildly. Premiums and extra transportation costs were paid—and losses were suffered because of inability to

HERE'S SAMPLE METHOD FOR PLANNING INVENTORIES

*Personal income forecasts for 1953, by quarters**

	1952				Projected 1953			
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Average annual earnings per nonagricultural commodity-producing employe.....	\$3770	\$3765	\$3810	\$3950	\$4000	\$4050	\$4075	\$4090
Self-employed, business and professional.....	\$4510	\$4550	\$4575	\$4750	\$4925	\$4925	\$4900	\$4900
Total nonagricultural employment (in millions).....	53.7	54.1	54.9	55.3	55.4	55.5	55.5	55.5
Total personal income (in billions).....	\$265	\$268	\$273	\$279	\$283	\$286	\$287	\$287
Prices of consumer goods and services (1941 = 100).....	185	185.5	186.5	187	187	188	188.5	189
Deflated disposable income (1941 = 100).....	143	144	146	149	151	152	152	152
Consumer expenditures for durable goods, seasonally adjusted (in billions).....	\$25.8	\$27.0	\$25.5	\$29.0	\$30.5	\$30.3	\$30.0	\$28.0
Consumer expenditures for nondurable goods (in billions).....	\$114.2	\$115.0	\$116.5	\$118.5	\$119.0	\$119.5	\$118.5	\$118.5
Consumer expenditures for services (in billions).....	\$73.5	\$75.0	\$76.5	\$78.0	\$79.5	\$81.0	\$82.5	\$83.0
Consumer expenditures, total (in billions).....	\$213.5	\$217.0	\$218.5	\$225.5	\$229.0	\$230.8	\$231.0	\$229.5
Savings (in billions).....	\$17.0	\$17.0	\$20.0	\$19.0	\$19.0	\$19.5	\$20.0	\$21.5

*DOLLARS IN SEASONALLY ADJUSTED ANNUAL RATES

Personal income forecast for 1953 is sample from extensive report prepared by one firm for its operating officials. Information from this and other tables plus detailed supporting material indicated 1953 would be a good year, with no great rise in consumer prices. Operating officials were advised

against building up inventories, except in particular situations where sales would outrun average trends; that decline in durable sales at year's end would still leave the volume above the average 1952 levels; that inventories need not be sharply built up nor cut

get deliveries on time. In a period when the economy did not need the extra support, steel was ordered for both consumption and inventories, at higher prices. Possibly more than \$2,000,000,000 extra was pumped into the economy in the effort to rebuild stocks. This cost steel processors, it was uneconomical for steel producers, and it was expensive for consumers.

The story may be in the process of being retold today. It looks as though more than ten per cent of current production is going into inventories, though they are as high as they were in the winter of 1953. At current rates of production and consumption, inventories will reach 24,000,000 tons by summer. Then, strike or no strike, orders will be cut back. If the past is a guide, fabrication will depend to some extent on the liquidation of inventories.

It is of course possible that some processors will remember how they were caught in the past and will not allow their inventories to be depleted again.

Steel has been used to illustrate how inventories are handled. It is not being held up as a particularly bad actor. Similar stories could be told for other industries.

It is natural that businessmen should build up inventories when prices are rising, and business is booming, and then sell them off at lower prices as the inevitable period of hesitancy in the economy appears. Unless they are conscious of the dangers inherent in handling inventories, it is almost certain that they will.

If the policies of a company call for a two months' inventory, for instance, and sales pick up ten per cent and prices three per cent, inventories would have to be increased 13.3 per cent merely to maintain the two months' inventory policy. The tendency, of course, would be to outsmart the market somewhat and build up a two and a half months' inventory, and that, with sales running ten per cent above the base period and prices up three per cent, would mean a dollar increase in inventories maintained of 41.6 per cent. If prices then drop back to what they were before the rise, sales drop back to five per cent above their previous levels, and inventories are returned to a two months' position, they would be reduced approximately 26 per cent, at a loss.

This illustrates the usual variety of inventory management. It is a method progressive companies are abandoning.

Some industries, such as milling, have developed an effective technique to reduce the risk of this sort



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INVENTORIES

continued

of behavior. This industry has developed hedging to a fine point. Its members can now buy grain for delivery as of the date they contract to sell milled products, or they can contract to sell milled products as of the date they buy grains. Other industries, such as rubber and textiles, have developed similar futures markets.

In industries without adequate futures markets, successful companies have learned other devices for minimizing inventory losses. The devices used most successfully are of two general types.

The first is an over-all policy which relates inventory requirements to long-term rather than short-term trends. It may include arrangements for major modifications of inventories through periods of known significant seasonal fluctuations as a means of increasing the stability of employment and of operations.

The second device is the use of careful, detailed studies, product by product, which enable the firm to hold down its inventory requirements per unit of goods produced

and sold, while at the same time providing good customer service.

In the first type of inventory control sales may be forecast for 12 to 18 months or more ahead, and inventories may be built up during periods when sales drop for known seasonal reasons. Then inventories may be reduced intentionally during periods of high seasonal sales. Inventories are not built up just because business is temporarily good.

Many large and small corporations are developing long-range sales expectations of this sort for guidance in inventory controls. These companies have prepared careful estimates of the total volume of business for the country as a whole, as well as detailed estimates for the major categories of business, and of the probable total sales of the commodities in which the companies are interested, covering periods of from 12 to 18 months.

These estimates are given to the different branches and offices for guidance. They are not made binding, because it has been found that good branch office managers can estimate better than a central office how their expectations will rise or fall with business as a whole. But the branches are expected to handle their purchasing and their inventory policies in the light of these projections.

This sort of general supervision protects the offices making the detailed decisions. Should a major price rise develop and be sustained, the operating officers are not at fault for not having anticipated it if they relied on the advice of the central office. On the other hand, if prices rise and then fall back as the central office suggested they would, and the operating offices did not load up with inventories at rising prices, the profit statement will make more cheerful reading than if they had followed the general mood of the moment.

Without limiting operating initiative, or replacing operating judgment by central office judgment, this policy guidance helps coordinate purchasing and inventory policies. One shop does not build up large stocks, and another attempt to live off inventories, unless such divergent practices are consistent with the over-all company policy.

This approach may be easier for large concerns than for small. However, forecasting services are being developed which can provide advice for smaller concerns.

This first, or general, type of inventory control permits stocks to vary from time to time within the year, but on the basis of the long-

time trend as well as the immediate situation. Let's review the illustration used earlier in which sales increased ten per cent and prices three per cent, then sales dropped five per cent and prices went back to their earlier levels. In this illustration, stocks went up 42 per cent, at the higher prices, then 95 per cent of the increase was liquidated, at lower prices. If the prospects had been correctly appraised, the company might have been able to get along on seven weeks' inventory for a month or so. It could have gotten by with an increase in its inventory of only 15 per cent instead of 41 per cent, and the 15 per cent might have been liquidated as business returned toward its former levels, before prices dropped enough to cause a loss.

The second type of inventory control is directed toward more efficient and lower cost production, and better customer service. That is, inventories are handled as an operation for improving sales and decreasing costs. This objective is more commonly understood than is the first one, but there is still room for improvement by some companies.

For instance, inventories can be managed so as to reduce the length of production runs. Sometimes the calculation as to the savings possible by this device compared to the extra cost of carrying somewhat larger inventories provides an opportunity for careful but rewarding analysis.

Another opportunity for savings through inventories lies in standardizing components so that as many types of customer requirements as possible may be met from a minimum of varieties of stock. R. L. Bowles, Manager of Production Planning for Armstrong Cork Company, has illustrated how this may be done:

"Some years ago an operation was producing for individual orders. There were frequent shutdowns for changes. Capacity was not sufficient to keep up with sales. The commodity was oversold three to four months in advance. Plans were under way for a considerable expenditure for capacity. Means were found to standardize the line and run to inventory. The sales department was asked to defer promise dates on new orders an additional month from the basis then in effect to provide time for the accumulation of a service inventory. The length of run was increased. Within 90 days the capacity of that operation was increased 300 per cent, labor costs were reduced approximately 50 per cent, the need for a major capital investment was eliminated. This was an out-

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standing example of how inventories can be used to add to the profits of an enterprise."

Inventories must be managed also to provide competitive customer service, to economize on shipping costs, and to simplify record-keeping while permitting management to keep currently informed about volume and flow of inventories for all significant items and relationships.

These problems are understood in the abstract, but the need for good personnel adequately and continuously trained to stay on top of the problems is not as well understood. The purchasing agent, or agents, all too often are not the heads of teams well integrated into top management planning. The possibilities, for profit and for loss, in competent inventory management, are not yet well enough appreciated.

When inventories are so managed as to contribute fully to company profits, efficiency, and customer service, this will, at the same time, do more than possibly any other one thing to reduce business fluctuations to a minimum. When business investment, including inventory investment, can be made relatively stable, the resulting infrequency and mildness of business cycles, will add materially to the opportunities for greater profits.

—ROBINSON NEWCOMB

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Government's weather advice carries no price tag, of course. But the private weather consultants are paid for their services. More than 20 consultants are in the field now.

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For forecast of weather over next three months see page 9.

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MEASURE YOUR FIRM'S FUTURE

The answers to
five questions
will reveal
the prospects
of a business



1. How does the business
use its people?



2. Can the people talk
to each other?



3. How much curiosity is
there in the organization?



4. Are decisions based
on hunch or facts?



5. Does the organization
know where it is going?

THE PERSONALITY of your business will determine its future. The spirit of its people—their desire to achieve, their enthusiasm, their loyalty and their pride in the enterprise—is the core of an organization.

This spirit—or personality—may be a better measure of a business than its production methods, plant lay-out, or even financial statements.

These tangible and customary yardsticks may reflect seeming efficiency and progress and yet the company's future may be limited by short-sighted or penny pinching personality. Or its prospects may be dimmed by an easy-going personality that fritters away profit opportunities.

Or your company may have a personality like the well-disciplined athlete, trained to razor-sharp keenness and alert to every opening.

So, to determine the real worth of an enterprise we must find ways to measure its personality. The basic elements are five:

1. The way the enterprise uses its people.
2. The kind of communication that exists.
3. The company's spirit of curiosity.
4. The reliance placed on facts.
5. The extent to which the enterprise—executives, foremen and workers—plan what they are going to do and then work their plans.

So, if you want to know more about the prospects of a business—including your own—you have only to ask five simple questions:

How does the business use its people?

In the final analysis, the central task of management in any enterprise is to get the best out of the men and women on the payroll—to get this group of human beings interested in and wanting to accomplish certain, often onerous, things, and wanting to work with others in getting these things done.

Nothing reveals the actual worth of a business more than the interest, the zeal and the cooperativeness of the men and women in the plant and in the office.

Consider for a moment the financial division of a certain company. The vice president for finance is perhaps the least educated—in a formal sense—and the most capable financial executive in his field. He has three principal assistants. One had been an electrician who studied bookkeeping at night. The other two are graduates of schools of business. Throughout there is a noticeable pride in the department and in the company.

In a not-too-cocky fashion they reflect an attitude of "we're good, but do you know any way we could do this particular job more simply?"

The graduates of the department have percolated into important positions in every other department of the company. If you ask them what kind of a training program they have to develop their people they'll answer, "None."

But if you were to see the vice president sitting with one or another of his assistants discussing a problem, then if you were to see these assistants and their assistants in turn discussing day-to-day problems with their people you would see a program in action.

They tend to be exacting taskmasters. But the boss always talks as if he assumes the subordinate really knows what it is all about and that he, the boss, is the one who is learning. They are skillful in asking questions that point up phases of the problem the subordinates did not think of; they seldom criticize or complain. They can make what they regard as a finished job—and their standards are high—just as clear by asking questions as others do by fiat, some-

times, brutal, assertions. They don't talk in these terms but they act as if they are concerned with building up every younger man and woman in the department to the maximum of his or her potential ability.

People are encouraged to use their heads, to do things even if they make mistakes. They are persistently given whatever training they need to make the most of their abilities and they are given authority so that their talents are used to the fullest.

That is the way to use people well.

Can the people who make up the business talk to one another?

Obviously they can. But do they? In one well known company orders are given and obeyed; that is the extent of the communication. The president is desperately lonely—and he deserves his fate. He has for years criticized his subordinates harshly, belittled their suggestions and discouraged them from exchanging ideas among themselves. As a result most of the ideas that a pretty good staff develops are wasted. They don't venture to express them when the reward they get, more often than not, is a bitter going over.

This inability to listen, even when they know it would be good for them, is a common shortcoming among executives. One such president had just completed an arduous labor negotiation. He had had to grant a substantial increase to the rank and file workers that the business could ill afford. He called a meeting of all his production foremen, about 50 in all, to tell them the results of the negotiation before they learned of it through the grapevine.

He started the meeting with a frank statement about what had happened and what the settlement was. Then he devoted at least an equal time to pointing out in simple, direct terms how necessary it would be for the supervisors to get greater productivity out of the workers if they were to make a profit while paying the higher wage rates. Then he cited specific areas where supervisors could achieve better performance.

Then he asked: "Now do you have any questions?"

Before a single one of the 50 men could open his mouth, something else occurred to him and he proceeded to criticize three or four of the supervisors by name for careless performance and to point out that such carelessness would not be tolerated in the future.

Then he said, "Well, that's all, fellows."

Inability to listen had minimized his chances of getting the results he had to have.

Communications within an enterprise, at least the kind of communication that makes for understanding and for a feeling of belonging, for the kind of interest among employees, supervisors and others that produces results, is always a two-way process. You can't leave communications up to the supervisors, to the mimeograph machines or to the grapevine. Good communications can't be achieved by tacking suggestion boxes on the walls. It can be kindled only if each supervisor sincerely wants to listen to his employees and receive their opinions and their ideas with understanding and enthusiasm.

How much curiosity is there in the organization?

Coleridge once wrote that experience is like the stern lights on a boat. It illuminates only the past. The man who relies on experience alone is a sitting duck for his competitors.

A good example is the man who complained to his company president that he did not get a promotion in spite of his many years of experience. The president listened patiently and then, as considerately as possible, replied:

"It is true that you have been with this business



Successful businesses can't wait to cross bridges after they come to them

many years, but you have not had as many years of experience as you think. Actually you have merely repeated one year of experience—over and over—many times."

What particular personality trait is lacking in the man or business that just keeps on repeating last year's experience? It is curiosity; a curiosity that is satisfied only by innovation.

One observer has said that an essential trait of the successful executive is a "catholic curiosity." Certainly most successful executives exhibit this trait. They keep their decision-making batting average up by constantly informing themselves about one segment of the business after another. Lucius Clay, for example, tries to visit each of the 80 or more plants of the Continental Can Company and to talk with the operators of those plants as a means of learning at first hand of their problems and of them as individuals.

The publisher of a newspaper was found late one evening in the press room having a pressman show him how to thread a press; three days later he rode one of the early-morning trucks with a circulation deliveryman; the next week he was in New York with one of his national advertising salesmen. He was not content to receive formal reports; he wanted to see and participate and, as he said, "get the feel of things."

In short, the executive who will succeed is constantly looking for that understanding of his business and its problems that will result in the introduction of new methods of operations, the development of new products or services, and the lowering of costs. This is the pay-off of continual and effectively applied curiosity.

Are decisions based on hunch or facts?

Does the business have built-in systems that provide the men who have to make decisions with the basis for their actions? Even more important, is there an attitude around the place that encourages people to search out the facts before deciding? Or is it a practical place where the president and the vice presidents let you know that they can rely on experience—on good, sound business judgment?

There was a time when the airplane pilot flew by the seat of his pants but that was before he carried many passengers. Today he has a score of instruments that provide him with facts as a basis for every decision upon which his passengers' safety depends.

Most businesses that succeed are those that use the vast variety of facts that are available to any business just for the looking.

A story illustrates this ready availability of facts. Tony, the trash man, made it a practice to take the

labels off the cans that he picked up on his daily route. He sorted them out in neat little piles. Tony had ambition. After years of collecting trash, he had accumulated enough money to buy his life's ambition—a corner grocery store. He already had done his market research. The labels he had assembled from the cans constituted his first order list, and he set the quantities he wanted in relation to the popularity of the brands as he had learned in his humble fashion!

Perhaps the most striking illustration of the successful and persistent use of facts to run a business is the story of General Motors. Back in 1930, Alfred Sloan said that the great success of GM was primarily attributable to the company's development of systems which constantly produced the facts that enabled it to look ahead and lay plans and policies.

Yet many practical businessmen still look down their noses, in 1956, at market research, statistics and planning as a lot of expensive, theoretical and impractical fol-de-rol.

There are two pre-eminent reasons why the better managed enterprise constantly digs for facts and, even more important, consistently uses facts to resolve questions:

First, experience no matter how rich and varied it is, won't be worth much if it isn't kept current by thoroughgoing analysis of today's problems; they may differ from the similar problems on which experience was acquired.

Second, if management is really the process of getting a number of people with their own opinions, enthusiasms and ambitions to work effectively together, the most effective arbiter of differing opinions is the facts.

To decide against the ambitious, energetic subordinate who has vigorously presented a recommendation by substituting your judgment and your opinion for his is to risk crushing the most valuable asset the business has. To reach a mutually accepted modification of his proposal by looking together at all the available facts is to provide a more intelligible and convincing basis for decision—and to preserve the priceless ingredients—the individual's hopes and pride.

Does the organization know where it is going?

Successful businesses must persistently plan and look ahead. They must never be content to do as good or a little better than last year, to cross bridges only when they come to them.

Successful companies have definite plans as to what they will sell, how they will produce the products and at what cost, how they will improve their ways of doing business, their plant, their equipment and their per-



The trash man studied labels on cans, learned what brands were most popular



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STANDARD OIL COMPANY (NEW JERSEY) AND AFFILIATED COMPANIES

sonnel. This looking ahead has three distinguishable but interrelated aspects:

First, there has to be clarity as to objective. It isn't enough to be in business to make a profit. It's essential that there be general understanding of what business the firm is in and a willingness to stick to it.

Second, there have to be definite goals set for it—each department and each division—that simultaneously chart the course and provide measures of success.

Third, the best results are achieved by those enterprises that can bring these goals down to the level, if not of the individual worker, at least to the foreman or the supervisors.

The experience of two businesses shows how essential it is to have an objective and stick to it.

The first business was a successful refractory, contracting, and supply business. The president and principal owner was not content to grow in the field in which the enterprise was firmly established and his sales engineers thoroughly experienced. Over a period of three years, he added a succession of new products to his product line, each less closely related to the



Management's task is to build the zeal of a group of individuals

firm's original field. Finally, before Christmas, he added a novelty decoration material for Christmas trees.

His sales engineers knew nothing about the product; they were unacquainted with the buyers at the department and hardware stores where the product was sold. They contended that they were unable to sell effectively all of the products already carried, that they were losing commissions on large refractory sales while wasting their time on selling small-value products outside their natural field. They rebelled.

In short, the lack of a definite objective and the willingness of the president to stick to it destroyed the zeal and satisfaction of the sales force—and sharply curtailed profits.

Before World War II, the second example manufactured steel tanks very profitably. During the war it took on government contracts in a variety of fields.

It made a lot of money, most of which Uncle Sam took back in taxes. By 1946, it was substantially out of the tank business and government contracts had shrunk. Since 1948 it has wandered from pillar to post taking whatever defense or other business it could get. It has no clearcut objective, no definite direction, and it has floundered on, making less and less profit.

The second part of planning, setting definite goals, is the task of thinking ahead for an organization. Departments or divisions get more done at less cost if they think out what they are going to do and how.



Using people well means giving them authority to exercise their talents

This is as true for the individual as for the department or division. The executive who will take time to sit down over the week end and lay out what he hopes to achieve during the following weeks, whom he will see, where he will be, and what reports he proposes to complete, will accomplish more of these tasks than if he fails to look ahead in such an orderly way. Moreover, he makes it infinitely simpler for his staff if they can know some days in advance when and what will be expected of them and where he will be.

Each month the supervisors of a factory in Ohio receive their individual statements indicating the results of the previous month's operations. Each has for his specific operation, a "profit and loss statement." It shows the goals in terms of quantities to be produced and the costs at which they were expected to produce these materials that had been set for the earlier month. It showed the results. Each knew exactly where he stood. Each could measure his own progress, his own contribution to the company's profits for the month. The individual's interest in the results is increased by the fact that his earnings, above a base salary, rise and fall as results are recorded on these statements.

The third aspect of planning is founded on a psychological fact: The interest and enthusiasm of people can be stimulated by setting for them concrete goals which they can understand and against which they can measure their progress.

What do these measures reveal?

They will reveal a business' real worth. But they indicate also that the tasks of management are not mechanistic tasks. The manager will be aided by plans, by periodic statistical reports, by budgets, by standard costs, and each of the other tools of management. He must use a variety of formal means for rating, promoting, and communicating with his employees. But the task of management is essentially the task of welding together and maximizing the enthusiasm and the zeal of a group of individuals. The measures of success at this task cannot be stated in a current balance sheet or profit and loss statement.

—JOHN J. CORSON
Partner, McKinsey & Co.,
Management Consultants

REPRINTS of "Measure Your Firm's Future" are available for ten cents a copy or \$7.50 per 100, including postage, from Business Manager, Nation's Business, 1615 H St. N.W., Washington, D.C.

MILITARY AIRLINE

continued from page 79

cargo, is \$410 an hour to government agencies, \$975 an hour to others.

A C-47 charge is \$100 an hour for government agencies, \$215 an hour to others.

These rates have been in effect since July, 1955. New rates will become effective in July this year. Some will be lower, some higher.

Commercial airline facilities are not normally quoted by hourly rates. Charges for these facilities are based on a cost per mile basis.

However, using the average speeds for the various aircraft, an approximate hourly charge can be arrived at. This was done for NATION'S BUSINESS by a major airline, using figures on file with the Civil Aeronautics Board.

These prices for four-engine planes, the airline said, are realistic comparisons:

The government's charge per hour for C-54 (DC-4) is \$445, compared to \$350 by a commercial airline. The government's charge for a C-118 (DC-6) is \$795 per hour, compared to the airline's charge of \$650.

The commercial all-cargo DC-4 would be slightly cheaper than the passenger DC-4.

The activities of the Military Air Transport Service were brought out recently in hearings by a congressional subcommittee on Department of the Air Force appropriations. The committee noted in its report that "the controversial aspects of this service result primarily because, to some extent, it is competitive with commercial air facilities."

The committee recognized the strategic importance of the transport service.

"At the same time," the committee noted, "it is apparent that commercial air facilities, including scheduled and nonscheduled airlines, are an essential part of the over-all mobilization transport strength of the United States, and will provide a major part of the ability of the nation to meet the huge demands for transport in the event of a sudden war emergency."

"Because of the significant role that the Military Air Transport Service plays in our mobilization planning, the committee does not desire to set an arbitrary limit on the size of the MATS operation."

However, it was the committee's opinion that the Air Force should handle its air transport business "in such a way as to assist in keeping the nonscheduled and other airlines in a reasonably sound financial and operating position."

END



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John S. Coleman

Fifteen new officers and directors have been elected by the Chamber of Commerce of the United States.

John S. Coleman, president of Burroughs Corp., Detroit, is the new president of the national businessmen's organization. He succeeds A. Boyd Campbell, chairman of the board, Mississippi School Supply Co., Jackson, Miss. Mr. Campbell becomes the new chairman of the Chamber's board of directors.

Clem D. Johnston, Roanoke, Va., who was president of the Chamber two years ago, is the new chairman of the executive committee.

There is one new vice president. He is Clarke Bassett, vice president of the First National Bank of Minneapolis. Mr. Bassett represents the Chamber's Northwestern Division.

Elected for the first time to serve as directors are:

First District: H. Ladd Plumley, president, State Mutual Life Assurance Co., Worcester, Mass.

Third District: John Paul Lucas, Jr., vice president in charge of public relations and director, Duke Power Co., Charlotte, N. C.

Fifth District: Philip C. Ebeling, attorney, Pickrel, Schaeffer & Ebeling, Dayton, O.

Eighth District: Murray A. Baldwin, vice president, treasurer and director, American Life & Casualty Insurance Company of Fargo, N. D.

Tenth District: William S. Street, president and general manager, Frederick & Nelson, Seattle, Wash.

Construction and Civic Development: Fred I. Rowe, partner and general manager, W. L. Johnson Construction Company and Associates, Columbus, O.

Foreign Commerce: T. V. Houser, chairman of the board, Sears, Roebuck and Company, Chicago, Ill.

Insurance: Edward B. Collett, director, vice president and secretary, The Millers Mutual Fire Insurance Company of Texas, Fort Worth, Tex.

Natural Resources: David L. Francis, president, Princess Elkhorn Coal Co., Huntington, W. Va.

Director-at-large: Hugh F. McKenna, assistant to the executive vice president, Mutual Benefit Health & Accident Association, Omaha, Nebr., and immediate past president of U. S. Junior Chamber of Commerce.

Director-at-large: Albert L. Nickerson, president, Socony-Mobil Oil Company, New York, N. Y.



A. Boyd Campbell



Clem D. Johnston



Clarke Bassett



H. Ladd Plumley



John Paul Lucas, Jr.



Philip C. Ebeling



Murray A. Baldwin



William S. Street



Fred I. Rowe



T. V. Houser



Edward B. Collett



David L. Francis



Hugh F. McKenna



Albert L. Nickerson

SKILLED WORKERS

continued from page 33

Do you expect this shortage pattern to change significantly in the next few years?

No, I don't think it will. The shortages may intensify or ease, depending on such factors as the level of defense production, the rate at which new machinery and equipment are introduced, and consumer demand. On the whole, the same occupations and industries are most likely to be affected by manpower shortages.

It is likely that, if the guided missiles and atomic energy programs develop, shortages in these industries will be intensified. Even if education and training efforts expand the number of trainees or apprentices, the pattern would not change greatly within the next four or five years because it takes that long to train men.

The pattern could be improved considerably if we are able to provide opportunities for a large proportion of those presently in skilled occupations to bring up the quality of their skills and technical knowledge.

Are any industry or government projects being held up because of skilled worker shortages?

Our studies indicate that the lack of scientific and engineering personnel is hindering many companies from carrying out going research programs. Undoubtedly almost every government project would proceed faster if employees had greater skill. The Strategic Air Command is having difficulty retaining a sufficient number of electronic technicians and aircraft mechanics. Because of this some SAC planes cannot be flown.

Because the average term of service is only two or three years, the Armed Forces have had to break down certain technical and craftsmen occupations into narrow sub-specialties for which training can be completed in six to 12 months. As a result, skilled jobs which otherwise could be handled efficiently by one trained man require the use of three partially trained individuals.

As far as industry in general is concerned, the question is difficult to answer categorically. Individual plants may fall behind schedule on occasion. Shortages of skilled production workers usually are offset by overtime work or by modified production methods which allow lesser skilled workers to perform certain tasks. We are primarily concerned with the long-range view, taking steps now to insure that future skill shortages do not occur. Skilled workers cannot be created

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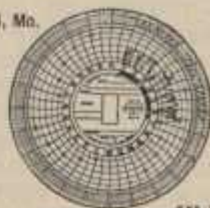
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556-7

SKILLED WORKERS

continued

overnight. When shortages occur it is too late to increase the supply.

Will increased use of automation help to ease the skills shortage?

It is difficult to say. In some cases the introduction of automation has displaced unskilled or semiskilled workers but has required more engineers, technicians, repairmen.

Persons familiar with this problem tell us that automation and mechanization will aggravate the skills shortage rather than relieve it. It takes unusual skills to design, manufacture and maintain this equipment.

What should be done to insure that we will have all the trained workers needed to keep us going at peak production in the future?

First, we have to determine as best we can how many workers each occupation will need in the future in order to plan training programs and provide vocational guidance.

Second, the increasing number of young people in high schools and colleges should have this information so that they can choose courses of education and training in line with future needs. The schools, the state employment services, the Veterans Administration and the Armed Forces provide counseling information.

Third, school facilities need to be expanded to take care of the rapid increases in enrollments expected over the next few years. An adequate number of teachers must be recruited. Instruction—particularly in the basic tools of mathematics and science—should be improved.

Fourth, training within industry is far short of what it should be. Only a fraction of the skilled craftsmen needed are being trained through adequate and rounded programs such as apprenticeship. Many industrial firms have no training programs today and count upon hiring workers trained by someone else.

Are present apprenticeship programs adequate?

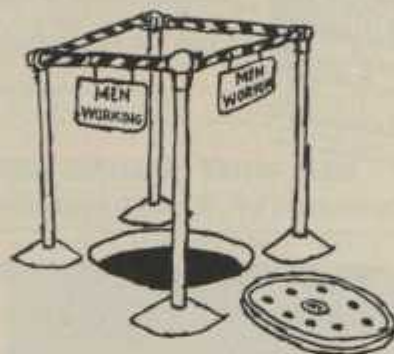
They are neither adequate in terms of numbers nor in quality. It is estimated that not more than one third of the present craftsmen obtain their craft through an apprenticeship. Further, far too high a proportion of apprentices fail to complete their training. About one third of those who do not complete continue in work related to the trade they were learning. If we are to train enough craftsmen through apprenticeship, a far greater number of employers

must participate and many local labor organizations must take a more active interest.

Are employers doing an inadequate job?

Some companies have excellent training programs designed to encourage the fuller development of all their workers. But too many limit themselves to the minimum instruction needed to do a particular job, or prefer to acquire skilled workers from the labor market.

In general, industry does an inadequate job of projecting its future skill needs and training workers to meet them. One of the projects which our Skills of the Work Force Program is sponsoring will encourage companies in selected communities to conduct personnel inventories to determine their future labor requirements and training needs. It is hoped that, when companies become fully aware of the extent of their manpower requirements, they will be motivated to set up more adequate



training programs. When the overall labor requirements of such communities have been determined, local educational and training facilities can be adapted to meet them.

Are the unions helping?

Yes. Some unions are sponsoring outstanding programs for apprentices as well as for journeymen who need to be kept up to date with the technological developments affecting their trade.

Many international unions have employed full time training staffs and established well financed training departments. Several, such as the plumbers, bricklayers, sheet metal workers, and painters, conduct annual nationwide apprentice contests designed to point up the strength and weaknesses of their local training programs. These programs are conducted jointly with employers.

What are governments—federal, state and local—doing in the worker training field?

The federal government is contributing to the training of skilled workers on a number of fronts. The Armed

Forces are providing training in a number of skilled occupations of a quality that no private training institution or industry is matching. As a matter of fact, this training creates a serious problem for the Armed Forces.

Let me give you an example. Electronic technicians trained by the Armed Forces are so much in demand by private industry that the services are able to persuade only a small fraction of them to re-enlist. This creates a serious shortage of fully qualified skilled workers in the Armed Forces, which the services are now attempting to alleviate by raising basic pay rates.

In its many installations, such as Navy yards, arsenals, and Air Force bases, the Department of Defense is training thousands of skilled workers, many of whom later transfer to jobs in private industry.

Within the Labor Department, the Bureau of Apprenticeship, which does not conduct training itself, promotes apprenticeship programs in cooperation with industry and labor unions and offers technical assistance in setting up and operating such programs.

The U. S. Office of Education, through financial contributions as well as cooperation with state governments, encourages vocational training in the public schools for undergraduate students as well as adults.

State governments also encourage apprenticeship training, as well as vocational education in the public schools. The local governments, of course, provide financial support and operate vocational courses in their public schools.

What are the objectives of your program in the Labor Department?

The objectives of the Skills of the Work Force Program, which came into being in April, 1955, are these:

1. Develop and improve techniques which will more accurately measure future manpower requirements on a national, industrial and community basis.
2. Promote wider use of effective techniques which will assist in the selection and employment of people.
3. Make available to potential users information relating to prospective manpower requirements, occupational outlook, counseling techniques and procedures which will aid educational institutions in planning curricula; management and labor in planning training programs; parents, teachers and counselors in advising youth.
4. Encourage communities to survey their manpower needs in order to have a sound basis for providing

adequate educational facilities, vocational guidance, selective placement services, and sound educational and training opportunities for all individuals.

5. To encourage those responsible for skill development in all industries to determine their own future manpower requirements.

6. Promote effective training by studying the quantity and quality of training in industry; organizing and promoting research on effective training practices; encouraging the use of the most effective training practices; and developing and promoting services to assist management and labor in determining training needs, developing, organizing, and operating training programs.

7. Promote the cooperation of federal, state and local agencies in the field of manpower so that they will complement each other and contribute to a common goal.

8. Stimulate national, state and local organizations to support effective training programs.

Is more general education needed in this field?

The federal government's function is to point out the need for education and training and to encourage those responsible for educational programs. In reviewing educational needs, standards, and the results of their educational programs, the entire nation should be alarmed at the large number of young people who drop out of school.

Employers, in particular, could help in encouraging young people they employ to get more education through part-time schooling, correspondence courses, or on-the-job training. We need to persuade young people to stay in school and to prompt the drop-outs to return to the classroom.

How important is immigration in supplying skilled worker needs?

Immigration does not appear to have much significance at present. It is estimated that about 10,000 workers enter the country each year. A recent survey revealed that approximately 14 per cent of the immigrants joining the labor force are professional or technical workers and about 30 per cent are skilled or semiskilled.

Will the Labor Department recommend any legislation to ease the skilled worker shortage?

This will depend entirely on our findings. At this stage we would hope that industry, labor and state and local governments can be persuaded to step up training efforts when the need is made apparent.

(Continued on page 97)

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Labor moves in on Washington



Union delegations on Capitol Hill are a common sight in Washington as Congress feels pressure of labor's growing legislative drive

LABOR is on the move—to Washington.

The increasing concentration of union authority and activity in Washington is rapidly making this city the capital of the labor movement. This gravitation toward the seat of the federal government underscores labor's growth, power and increasing participation in politics, legislation and government administration. The trend shows:

► More international unions are moving their headquarters to the

banks of the Potomac and erecting marble buildings that outshine those of government agencies and business organizations.

In addition to AFL-CIO, parent organization of 139 affiliated unions with 16,000,000 members, 46 individual unions representing 6,500,000 members now make Washington their home, compared with only 32 in New York. Construction of about \$19,000,000 in new union buildings is nearing completion. The American Newspaper Guild, bakery workers'

and retail clerks' unions recently moved to the capital, and the street car and bus operators soon will.

► Many unions which want to stay close to their industry, or have other reasons for staying out of Washington, are opening or enlarging legislative branches near Capitol Hill.

The railroad, steel and auto unions operate particularly large and efficient Washington branches. One of the most recent was opened by the structural iron workers, headquartered in St. Louis. About 100 union legislative representatives, or lobbyists, meet monthly as a "legislative council" under the auspices of the AFL-CIO Legislation Department to discuss pending legislation and labor strategy.

► More legislative, political and labor education conferences and union conventions are being held in Washington, where the union officials feel they can more effectively impress their viewpoint and objectives on government officials and, in turn, better dramatize their activity for the benefit of their members and the public.

Some 2,500 building trades union officials spent four days in Washington—two of them on Capitol Hill contacting their senators and representatives—to generate some steam behind amendments to the Taft-Hartley labor law and construction legislation of particular concern to building trades unionists. The assembled delegates heard key senators, among them Paul H. Douglas, of Illinois, chairman of the Senate Labor Subcommittee, and Homer E.

Capehart of Indiana, ranking Republican member of the Senate Banking and Currency Committee, pledge cooperation.

Almost 3,000 delegates to the United Automobile Workers' seventh educational conference breakfasted with their congressmen and listened to Republican and Democratic senators and leading presidential aspirants, including Estes Kefauver and Adlai Stevenson, debate today's political issues. The legislators also were subjected to questioning by the unionists.

United Steelworker legislative representatives from all over the country spent a week in the capital "in behalf of the union's legislative program." They were addressed at dinner sessions by Sen. Wayne Morse of Oregon and Sen. Warren G. Magnuson of Washington and conferred with other legislators and federal administrative officials.

Almost 800 staff officers of the International Association of Machinists attended a national staff conference in the union's new \$2,500,000 building in conjunction with a meeting of the Machinists' Non-Partisan Political League.

The new Industrial Union Department of AFL-CIO convened a legislative leadership conference of seven representatives of each of the 72 unions in IUD a few weeks ago to discuss pending federal legislation of particular interest to the industrial unions. Views of eight senators, four from each party, were heard and considered.

Washington seldom has been the

AFL-CIO building trades officials seeking Taft-Hartley amendments call on Rep. Graham A. Barden, chairman of House Labor Committee



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scene of a labor convention, but with larger and improved facilities recently made available, this year there will be at least six. The Amalgamated Clothing Workers and the Textile Workers Union convened last month and four other unions will meet later. They are the American Federation of Government Employees, Brotherhood of Railroad Signalmen, International Association of Structural Iron Workers, and National Association of Master Mechanics.

► More labor lawyers and consultants are building up bigger Washington practices.

One of the most active attorneys

for unions is J. Albert Woll, counsel for the AFL-CIO and, by coincidence, also for the Teamsters Union which faces possible expulsion for collaboration with a union expelled from the former AFL for corruption. Arthur J. Goldberg, former CIO counsel, represents the steel, clothing and textile workers unions. Gerhard P. van Arkel, who resigned as general counsel for the National Labor Relations Board in protest when Taft-Hartley superseded the Wagner Act, and Henry Kaiser are associated together and represent the International Typographical Union and the American Federation of Musicians.

END



Walter P. Reuther warns Democrats they are at crossroads and Congress that his auto workers will not let up on political activity



Sen. Warren G. Magnuson discusses legislation with steel workers' political leaders. Union lobbyist Frank Hoffmann listens intently

SKILLED WORKERS

continued from page 93

What can the individual businessman do to help ease the skilled worker shortage?

The individual businessman should take an inventory of his skill needs for the present and foreseeable future. He should then develop a training program designed both to improve the skills of present workers who need it and to produce sufficient skilled workers to meet his anticipated needs.

While we believe that each employer is primarily responsible for training his own employees, a number of public and private agencies can help him. The bureaus of apprenticeship (state and federal) offer assistance in setting up training programs for apprenticeable trades. Public vocational schools are prepared to provide instructors as well as training courses either in the plant or at school facilities. Colleges and universities are frequently willing to set up special courses for supervisory and management training.

What is your advice to a young person desiring to enter a skilled occupation? Which areas look most promising for the future?

There are hundreds of skilled occupations, and nearly all of them need additional workers. Some are growing more rapidly than others, but rapid growth is not the only important indication of a good occupation to enter. Some of the largest occupations in the United States offer good employment opportunities.

I would be doing a disservice to young people if I picked out a few occupations for special attention. I would rather suggest that each person consider his own interests and abilities, kind of work he likes and the part of the country where he wants to live, and then study the facts about employment outlook, training required, and other relevant facts about each occupation before making up his mind. He can get information on the occupations from many publications of the Department of Labor, and can get a list of these publications by writing to the Department, Washington 25, D. C.

Is the unskilled worker likely to vanish in the future?

There have always been occupations which require no previous education or special training and which can be learned in a short period of training on-the-job. The number of people employed in occupations of this type has been getting smaller in recent years, but we do not expect them to disappear completely. **END**



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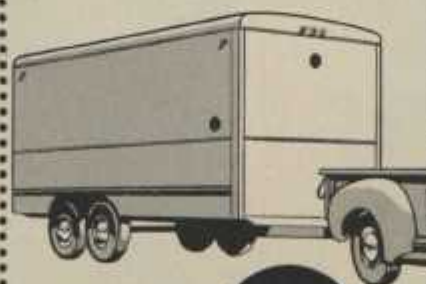
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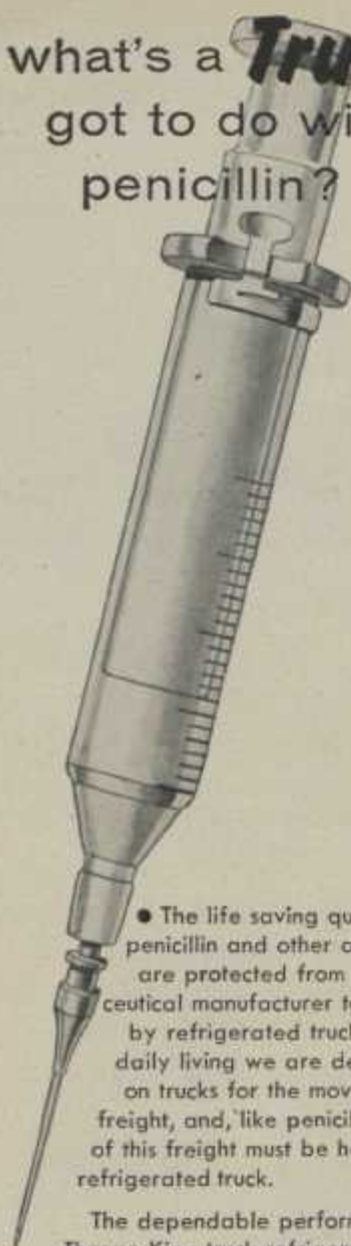
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It shows what business has accomplished this past year through the National Chamber, what business has done toward the solution of national problems. Also, it outlines what business is planning to do in the months ahead to keep the economy of the country dynamic and expanding.

You will find this report interesting to read, exciting and encouraging. Write for a copy. Just ask for "Working Creatively." Paperbound copy: free. Clothbound copy, suitable for passing on to a school or library after you have finished reading it: \$1.50.

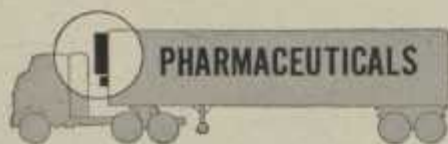
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► Growing demand for products made in plants with up-to-the-minute quality control laboratories.

America's 1,600 instrument and apparatus makers already market more than 20,000 items ranging from test tubes costing less than pennies to electronic computers priced at hundreds of thousands of dollars. The list includes such things as X-ray machines, optical equipment, analytical balances (for weighing infinitely small objects), giant meters (for measuring water flow in city water systems), Geiger counters, radioisotopes, scintillometers and other products of the atomic age, and additional devices indispensable to technological progress in industry, the medical profession, government research, and education.

Last year the industry rang up \$400,000,000 in sales.

That was \$50,000,000 more than its 1954 sales and an all-time high.



In spite of increasing competition from Japanese and German instrument makers, an estimated \$55,000,000 of these sales were exports.

Items exported included lab apparatus, electronic indicating, recording and testing instruments, heating and cooling instruments, automatic regulating valves, meteorological instruments and recorder-controller equipment.

Industry leaders are confident that sales in 1956 will at least match last year's mark.

Kenneth Andersen, executive vice president of the Scientific Apparatus Makers Association (SAMA), of Chicago, explains their outlook:

"The American consumer has become quality conscious as never before. Smaller manufacturers, as well as the big producers, are rushing to install laboratories to keep pace with exacting tastes, the demand for uniform quality and new products in an increasingly competitive buyers' market."

Mr. Andersen says one small producer told him, "What's an initial investment of \$5,000 for laboratory quality control when it means the difference between staying in business or folding up?"

"We're definitely bullish about our long-term outlook," continues Mr. Andersen. "There are only 4,835 company labs in the country now but there are 300,000 firms that are potential lab-establishers. Each of these companies is thus a potential market for what we have to sell."



Making and selling scientific instruments and apparatus is a job for specialists. The success of the industry's selling effort depends

to a great extent on maintaining liaison with, and anticipating the needs of other industries and researchers.

"To do this we must ourselves keep probing the future through research," Mr. Andersen says. "We are among the leaders in investment for research on the basis of our dollar sales."

"We estimate that our people are presently spending about eight cents of each sales dollar for research and development, while the national mean is running at about three cents for each dollar of sales."

W. C. Gardner, instrumentation specialist with C. F. Braun & Company, refinery designers, Alhambra, Calif., points out that in recent years industry has invested more than three times as much yearly in plant expansion as in 1930, and that annual investment in instrumentation has averaged ten times the 1930 fig-

ure. During this same period, total plant investment per unit of output has risen sharply, and man-hours per unit of production have dropped sharply.

"It is this relationship," Mr. Gardner says, "which economists use as a basis for predicting an eventual 32-hour work week."

Mr. Gardner estimates that, in the next decade, industry will invest an average of \$10,000 per worker for production facilities, and that instrumentation each year will cost from \$60 to \$500 for each worker.

Mr. Gardner and others in the instruments industry believe that U. S. firms are not making full use of available control devices which could produce greater operating efficiency, increased product quality and better use of manpower. They see greater use of instrumentation as one method for offsetting shortages of workers in the future.



Because of its intimate association with the nation's scientists, and because of its hope for continued, constantly accelerating technological progress in America, the instruments and apparatus industry is deeply concerned over the growing shortage of technicians.

Officials of SAMA believe the basic cause for this undersupply to be educational, and they quote figures which show an alarming lack of science and mathematics instruction in the nation's public schools, along with a steady decline in the percentage of high school students taking such courses as algebra, geometry and physics.

The figures—extracted from a 1950 U. S. Office of Education survey—have been challenged as misleading by such groups as the National Science Teachers Association, but on this important point there is general agreement: More than 40 per cent of the most gifted high school graduates in America fail to go to college!

SAMA is urging its own members to work hard to upgrade science teaching and science teaching equipment in their local schools, to participate in sponsorship of science fairs, science clubs, field trips and other programs designed to stimulate the interest of youth in science careers; to make motion pictures, charts, pamphlets and other teaching aids available to their community schools, to provide speakers to youth groups, to campaign for better laboratory facilities in projected schools, to offer summer work to young persons training to be science teachers.

END

"You can't sell me that outfit!"

HE SEEMED CONVINCED — and, could be, I was wasting my time with this bristling barrister. But I had to find out what made a smart lawyer like Fred Lesner so opposed to the chamber of commerce. And in the next breath he told me ... "I don't agree with a lot of things they're doing."

SO THAT'S IT! As I listened to him tick off his objections, it was clear enough. Fred thought the businessmen and merchants were getting all the breaks, and couldn't see how any of the chamber's activities could help men like himself.



IT WASN'T HARD to show him how lawyers and other professional people benefited ... how stimulating business, industrial and civic progress brought him new clients ... and why every professional and business man was on the same team when it came to growth and prosperity of the community.

IT MADE SENSE, TOO, when I said ... "The only way the chamber could avoid disagreements would be to adopt a do-nothing policy. And after all, it's easy enough for you to get on the inside and help change and direct its activities. The little matter that prompted my call could change all that. All you have to do is join yourself."

AND JOIN HE DID! Fred said ... "Since you brought that 'team' business up, I guess I know where I belong."

Any fan can applaud or heckle as suits his fancy. But when you're playing it's a different story." It was for Fred. You ought to see what a good case he makes out for chamber membership now, and how many lawyers have joined us in the last three months.

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politics IS A **BUSINESS PROBLEM**



BUSINESS makes politics.

Over the past half century its output in this field has increased along with the output of economic goods.

There is one spectacular difference:

Business provides service for its economic goods. Otherwise life in this country would be physically hazardous and uncertain.

But when business creates a political issue, it most often leaves the servicing to others. This omission, continued long enough, can make life in this country politically hazardous and uncertain.

The maker who shows persistent disinterest in a product he has created cannot blame the customer for hiring the tinkerer who proclaims most loudly that he can fix it.

In the coming election the customers will be selecting people to handle such products as farm relief, foreign aid, expenditure control, labor-management relations, and social security.

In one way or another business made all these issues. It made many of them unintentionally simply by producing a standard of living which permitted people to move about, to want more things, to apply new skills, to expect and demand security.

Such a world requires new highways, new schools, new policies. Safety will be a first consideration in building the highways and schools.

The need for safety is equally urgent in the making of policies.

This need will be met if businessmen will forget their isolation and help choose those who make the policies as they choose those who build the roads.

This will require them to be active in politics.

It will require more than donations to favored parties or candidates, more than the passing of resolutions urging lower taxes or keeping the government out of business. It will mean the same kind of study of wage regulation, price laws, antitrust legislation, workmen's compensation that business gives to any other product that it attempts to perfect. It will mean that businessmen must study candidates and platforms as earnestly as they study sales quotas, plans for new products or market analyses.

Finally, when sound judgments have been reached, it will mean the same convincing salesmanship for new political ideas that goes into the introduction of any new product.

Such an effort to win public support for sound ideas will not be the step that puts businessmen in politics.

Businessmen are already changing society—and who changes society is in politics whether he admits it or not. Those who change society produce issues.

And issues, like any other product, must be serviced if the customer is to be satisfied.



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